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1987 FINANCIAL ANALYSIS OF THE MOTOR CARRIER INDUSTRY

AMERICAN TRUCKING ASSOCIATIONS

Thomas J. O'Bryant
THE FIRST NATIONAL BANK OF CHICAGO

FINANCIAL ANALYSIS OF THE MOTOR CARRIER INDUSTRY

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Thomas J. O'Bryant
The First National Bank of Chicago
Chicago, Illinois

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A MESSAGE FROM ATA

Thomas J. Donohue

ATA is pleased to provide you with the 1987 Financial Analysis of the Motor Carrier Industry. This, the 36th edition in the series, reinforces ATA's commitment to provide critical trucking data and information to the financial community and others in need of the information.

We are pleased this year to have comments from Mr. Thomas J. O'Bryant, Vice President of The First National Bank of Chicago. Mr. O'Bryant, head of First Chicago's Transportation Division, brings an experienced banker's perspective to the financial condition of the motor carrier industry. Since First Chicago has been among the leaders in lending to the industry over the decades, Mr. O'Bryant's thoughts are particularly noteworthy.

This year's Financial Analysis compares 1986 results with those of 1985, and updates carrier performance through six months of 1987. It reviews performance, profitability, liquidity and leverage for numerous groups of carriers of different sizes and types. All data in this report is from interstate motor carriers with revenues over $1 million annually, that is, firms reporting to the Interstate Commerce Commission. We hope this information, or portions of it, is equally valuable in describing other trucking operations as well.

Users of this publication are numerous and varied: bankers; investors; suppliers; shippers; leasing companies; insurers; regulators; other government officials; students of the industry; and trucking company executives. We hope the Financial Analysis continues to provide the facts and insights to inform and assist you in your particular endeavors.

We welcome your comments on this 1987 Financial Analysis of the Motor Carrier Industry, and ideas on how we might enhance the value of the publication in the future. Please write to ATA's Statistical Analysis Department, or to me personally.

Thomas J. Donohue
President and Chief
Executive Officer
American Trucking
Associations, Inc.

ABOUT THE AUTHOR

The Author

Thomas J. O'Bryant is a Vice President of The First National Bank of Chicago. He received a Masters in Business Administration from the University of Missouri and has 19 years of commercial banking experience. Mr. O'Bryant became Head of First Chicago's Transportation Division in 1984.

First Chicago has maintained a specialized transportation "practice" since the 1950's, and has actively supported the motor carrier industry by providing commercial loans and operating services tailored to both industry and company specific requirements. In recent years, the Bank has developed niche investment banking products and services to the motor carrier industry.

Acknowledgments

The author wishes to thank Ron Roth, Jane Barrett and the staff of the American Trucking Association for their assistance and technical support in the preparation of this analysis.

In addition, the author would like to thank David Ring and Evelina Tainer, of First Chicago's Economics Department for their interpretation of the economic environment in which the industry has operated.
Thank-you's are also extended to Tom Bittman, Jim Schnoes and Ken Hirsch, all of First Chicago's Transportation Division.

PAST AUTHORS

1987	Thomas J. O'Bryant The First National Bank of Chicago
1986	Henry H. Livingston Kidder, Peabody & Co. Inc.
1985	William Legg Alex. Brown & Co.
1984	Susan Gregg The First National Bank of Chicago
1982	Patricia Lisciandro The Chase Manhattan Bank, N.A.
1981	Florence W. Liddell Citibank, N.A.
1980	James F. Notman, Jr. The First National Bank of Boston
1979	John F. Macon II First Interstate Bank of California
1978	G. Barry Kohler Bank of America, N.T. & S.A.
1977	R. Stephen Hannahs Joseph Tune The First National Bank of Chicago
1976	Emery White The Chase Manhattan Bank, N.A.
1975	David W. Kruger The First National Bank of Boston
1974	Peter D. Horne Continental Illinois National Bank and Trust Company of Chicago
1973	Michael A. Gaffigan Harry L. Hatton Central National Bank in Chicago
1972	Henry H. Livingston Clark, Dodge & Co.
1971	Robert S. Williams First National Bank of Dallas
1970	Peter S. Douglas The Chase Manhattan Bank
1969	Marvin D. Juliar First National Bank of Chicago
1968	Edward A. Eyre First Interstate Bank of California
1967	Laurence A. Pierce The First National Bank of Boston
1966	Arthur J. Bruen, Jr. Continental Illinois National Bank and Trust Company of Chicago
1965	George H. Boggs Citizens & Southern National Bank
1964	Harvey R. Mitchell, Jr. Republic National Bank of Dallas
1963	Albert W. Ambs Citibank, N.A.
1962	John W. Jalonen Bank of America, N.T. & S.A.
1961	Kenneth W. Anderson First Interstate Bank of California
1960	Frank C. Rathje, Jr. Continental Illinois National Bank and Trust Company of Chicago
1959	John F. Blomquist Central National Bank in Chicago
1955-58	Henry Bowen The First National Bank of Boston
1951-52	Archie K. Davis Wachovia Bank and Trust Company for Robert Morris Associates

FIRST CHICAGO
The First National Bank of Chicago

INDUSTRY OVERVIEW

Introduction

Traditionally, this Overview has been devoted to an analysis of industry and general economic developments that occurred in the previous year. Our goal is somewhat different. From a financial perspective, we will present a comparison of the state of the industry as it was in 1986-1987 versus 1982 with some comments on recent developments and industry trends. This comparison is necessarily the result of the two fundamental factors affecting the industry during this five-year period: the general economic conditions and the changing competitive environment initiated by the Motor Carrier Act of 1980, generally referred to as deregulation.

Economic Trends and Structural Change

November 1982 marked the end of a 16-month recession and the beginning of what was to become the longest peacetime expansion in history. During the past 60 months of sustained economic growth, structural changes have developed that will adversely affect the economy for years to come. For example, at the end of 1982, the U.S. was by far the largest creditor country in the world. Today, it is by far the world's largest debtor nation. In addition, the personal saving rate, after averaging around 7% in the early 1980's, will be about half that rate this year. A low saving rate, combined with the heavy financing burden of the national budget and trade deficits is expected to continue to put upward pressure on real interest rates. We believe short-term interest rates will rise by 1.5% to 2.0% during 1988-89.

Linking the Economy and the Motor Carrier Industry

Gross National Product has grown at a moderate pace over the last five years. With the exception of 1984, the economy has exhibited only occasional signs of rapid growth. Indeed, real GNP grew at a 6.8% pace in 1984 before slowing to a 2.9% growth rate in 1986. Although this growth has not been vigorous, the fact is that production, income, and employment have continued to expand. This is also the case with trucking. Common carrier general freight volume is closely related to changes in business inventories. After the recession ended in late 1982, inventories were rebuilt significantly in 1983, which translated into a volume jump for motor carriers. (See Chart 1).

Labor costs are a motor carrier's largest single expense and have grown slowly over the past five years. The increase in average hourly wages has been consistently below increases of the Consumer Price Index (see Chart 2). As discussed below, competition within the generally unionized LTL segment and the expansion of nonunion carriers in the TL segment have helped mitigate pressures for wage escalation. The price of diesel fuel was relatively stable from 1982 through 1985; however, in 1986 it dropped sharply due in large part to OPEC'S inability to effectively control production and prices. In 1987 the price has climbed but remains below those experienced in recent years (see Chart 3). The October 1987 large decline in the stock market is not likely to have a significantly adverse effect on the economy or on motor carrier volume. However, motor carrier stock offerings are now less likely. Clearly, consumer confidence was hurt by the stock market fall.

Less-than-truckload Segment

Industry deregulation had a limited effect on the LTL segment principally due to the sizable economic barriers to entry. Most carriers that entered the LTL segment after deregulation have since withdrawn. Competition in this relatively mature segment continues to be intense, focusing on freight rates and market share growth. Over the past five years, virtually all carriers have been forced to make major, often painful, adjustments to remain cost competitive and to improve customer service. The current battle for market share among the largest national carriers has had an industry-wide depressing effect on freight rates for most of 1987. However, as 1987 is ending, we may be starting to see a retreat from broad use of marginal cost pricing by generally healthy carriers although rate discounting by weaker carriers may be expected to continue.

Over the five-year period under review, concentration has increased dramatically in the LTL segment. Further consolidation will result from the current competitive environment, and only selected carriers are certain survivors of the next wave of consolidation.

To date, antitrust regulation has not affected consolidation. However, as consolidation continues and as the specter of an oligopoly begins to be a possibility, proposed mergers may receive increased scrutiny.

As 1987 closes, we are seeing some signs that this segment may get some legislative relief from MEPPA (The Multi-Employer Pension Plan Amendments Act.) While it is a widely held view that this law has been an obstacle to orderly consolidation and liquidation, its amendment could rapidly and dramatically accelerate consolidation.

Growth in general freight available to the LTL segment is largely a function of overall growth in the economy and relative inventory positions. Absent strong economic growth, an individual carrier gains market share primarily by taking it from competitors. As a result, strong national and regional carriers should be positioned to expand principally as weaker carriers contract.

Financially, the LTL segment, as a whole, has improved its ability to survive a recession (see Table 1). Notwithstanding this improvement in financial condition, further consolidation can be expected to continue for the foreseeable future.

Truckload Segment

The TL segment has been, and may continue to be, more profoundly affected by deregulation than the LTL segment. In the two decades preceding deregulation, private carriage grew rapidly as union wage scales made common carriers increasingly less competitive. Upon deregulation, this segment had minimal entry barriers and, as a result, thousands of new carriers began operating. Since deregulation, nonunion TL common carriers have made significant inroads into the general freight TL market as the number of nonunion carriers expanded and as LTL carriers largely abandoned TL freight previously used to address system imbalance. TL common carriers, in the aggregate, are competing with shippers' historic perception that private carriage is, all factors considered, a better al-

ternative. However, private carriers continue to divest trucking divisions because: 1) common carrier rates are now more attractive; 2) common carriers have improved their ability to provide good service and scheduling and routing flexibility; 3) private carriers are often less efficient; and 4) private carriers absorb capital, create contingent liabilities, and require management attention.

No general statement can be made regarding the impact of deregulation on concentration in the TL industry. However, segment analysis of the TL industry indicates that the need for specialized equipment remains a significant entry barrier. The number of flatbed and dry van operators has increased, while specialized TL operators such as autohaulers, bulk carriers, and refrigerated vans, have become fewer in number since deregulation.

Freight growth opportunities for the TL common carrier segment are considerable, given a market which exceeds $55 billion and is currently served mostly by private carriage. This conversion of private carriage tonnage to common carriers represents a significant opportunity for general freight common carriers and may be accelerated by cost reduction pressures induced by a recessionary environment. However, one significant and increasing constraint to growth has been driver availability. On most days, many TL carriers have an increasing number of idle power units because of the driver shortage. This situation has been created by the significant growth of nonunion general freight carriers and has been aggravated by the industry trend toward company-owned equipment and company drivers. Driver availability and professionalism is a key competitive issue to be resolved in the TL industry segment. Although several strategies to employ and retain drivers are now practiced, better long-term results are likely to reflect a mixture of higher wages, improved driver life-style, and differential pay for both career drivers and good performance. Short term, a recession would ease this situation, but not permanently solve it.

While the financial strength of the TL segment has deteriorated somewhat, a number of TL carriers have achieved significant improvement in their financial positions. However, in spite of earnings gains in 1985 and 1986, the TL segment's growing investment needs continue to lever balance sheets (see Table 1). This investment is largely in equipment as many successful TL carriers have concluded that conversion to a company-owned fleet from owner-operators is essential to remain cost competitive and customer sensitive.

Other Industry Trends

Intermodalism

In the past, transportation could be divided into a number of relatively distinct modes. In recent years, these modes have become less distinct due to increasing freight containerization. To date, the speed, reliability, and point-to-point delivery capability of the trucking industry has provided an edge over combined rail and truck transport of container-lot loads for a significant amount of freight. However, as transportation companies with intermodal capability increase their service levels, it is possible, perhaps even probable, that an increasing portion of long-haul truckload traffic will be more economically served by a combination of rail and truck movement.

Equipment

Improvements in road equipment will be influenced by technology and regulation. Increasing equipment productivity and reducing unit transportation costs remain key industry goals. Hence, new equipment programs and systems addressing equipment productivity and cost reduction are being developed. These programs include, among others, aerodynamics, regionalized engine and power train specifications, scheduled preventive maintenance, onboard MPG/driver performance monitors, computerized routing, advanced driver communications, and shipment information processing. Successful carriers are developing these programs internally to reduce costs and are promoting them externally to differentiate service.

Safety has remained an increasingly important concern of the general public. Regulators may require equipment (e.g., antilock brakes) that will prove challenging for the industry to justify solely on economic grounds.

Looking Ahead

America's motor carrier industry remains a significant component of the U.S. economy. The industry's ability to effectively serve U.S. manufacturers, wholesalers, and retailers is required for our economy to keep pace with global competition. The past five years have seen fundamental changes in the motor carrier industry. The economic situation, however, differs between industry segments reflecting the relative maturity of the segments.

We believe the marketplace will continue to reward adaptive, efficient and customer-oriented carriers with a well-defined and executed strategy. We believe these strategies must include a focused marketing effort, an orientation toward cost control, and the financial strength necessary to make the continuing investment needed to serve customers throughout contrasting business cycles.

The next several years present considerable opportunity and challenge to all industry participants and their suppliers. We remain confident that the industry and its supporters will meet these challenges, thereby maintaining an efficient transportation system for America.

Table 1
Leverage and Debt Service

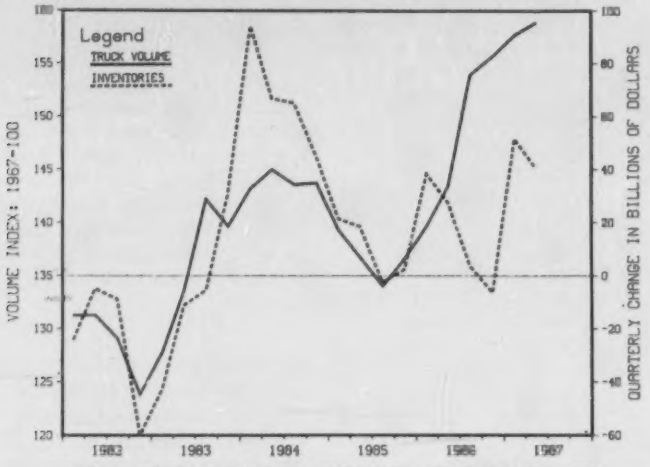
LTL Sector (1)	**1981**	**1986**
Cash Throw to Total Funded Debt	0.65	1.04
Cash Throw to Funded Debt due within one year	3.36	4.50
Funded Debt to Equity	0.41	0.33
TL Sector (2)	**1981**	**1986**
Cash Throw to Total Funded Debt	0.67	0.59
Cash Throw to Funded Debt due within one year	2.52	2.34
Funded Debt to Equity	0.54	0.55

Source: ATA Reports - Financial Analysis of the Motor Carrier Industry, 1982 and 1987.

(1) Composite Carrier Group A, B, and C
(2) Carrier Group D

CHART 1

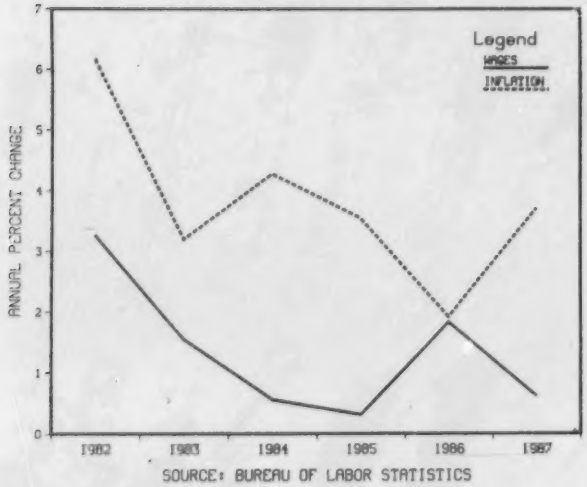
VOLUME INDEX: COMMON CARRIERS OF GENERAL FREIGHT
vs QUARTERLY CHANGE IN BUSINESS INVENTORIES
(FREIGHT CARRIED--VOLUME INDEXES, CLASS I AND 2; INTERCITY TRUCK TONNAGE)



SOURCES: AMERICAN TRUCKING ASSOCIATION; COMMERCE DEPARTMENT

CHART 2

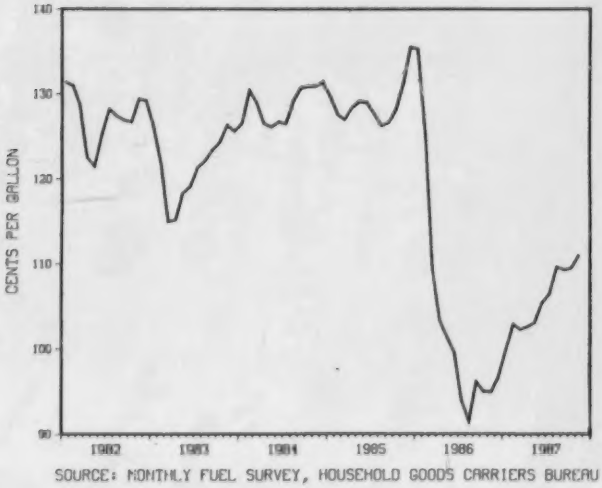
GROWTH IN TRUCK WAGES vs INFLATION (CPI)
(1987 FIGURES ARE FORECASTS)



SOURCE: BUREAU OF LABOR STATISTICS

CHART 3

FULL SERVICE DIESEL FUEL PRICE



SOURCE: MONTHLY FUEL SURVEY, HOUSEHOLD GOODS CARRIERS BUREAU

THE STRUCTURE OF THE MOTOR CARRIER INDUSTRY

The motor carrier industry may be conveniently divided into two major traditional classifications, Private and For-Hire.

Private Carriers consist of the trucking operations of manufacturers, wholesalers, merchants, and other shippers for transporting their own goods by means of equipment which they themselves own or lease. If their principal business is not transportation services, they qualify as private carriers. Those firms which meet the criteria which define private carriers are not subject to Interstate Commerce Commission regulation. Restrictions on their operations, however, have been liberalized since the Motor Carrier Act of 1980 in terms of intercorporate hauling authorities and for-hire backhaul services.

For-Hire Carriers transport freight which belongs to others. They may be classified by jurisdiction served such as interstate, intrastate, or local, the last two classes being regulated by local or state authorities, or exempt from regulation. They may also be classified by kind such as Common Carriers, Contract Carriers and Exempt Carriers.

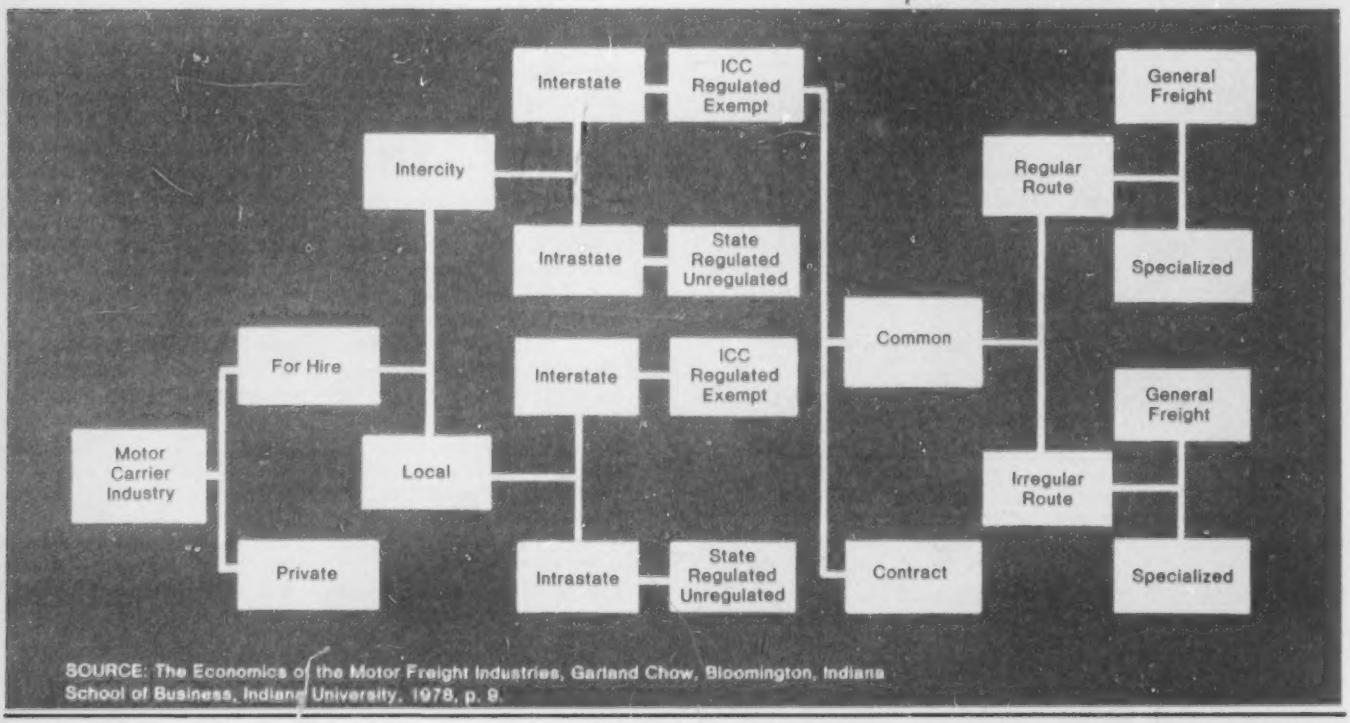
I. Common Carriers by definition offer their services to any shipper to transport his goods between designated points at published rates under authority granted them by the ICC under a certificate of public convenience and necessity. This certificate spells out both the types of commodities which may be carried and the service routes, whether irregular route service between areas on a non-scheduled basis or regular route service over designated roads on a scheduled basis. The ICC must also approve the tariffs established for various classes of freight by the numerous regional rate bureaus. In general, any service which is not specified by the terms of an operating certificate is forbidden.

II. Contract Carriers, as the name implies, serve one or a few shippers under specific contractual arrangements and cannot, like Common Carriers, offer their services to the public-at-large. Owing to the non-public nature of these carriers, the rates which they may charge differ from the tariff structure governing Common Carriers. Rates are directly negotiated with the shippers they serve. Operating authorities which specify areas to be served and commodities to be carried must be obtained from the ICC. The Motor Carrier Act of 1980 substantially liberalized the rules for contract carriage.

Note: Motor carriers authorized and regulated by the Interstate Commerce Commission are categorized into three classes according to revenue size. Effective in 1980, Class I are carriers having annual revenues over $5 million, Class II having revenues between $1 to $5 million, and Class III having revenues less than $1 million.

II. Exempt Carriers transport certain specialized goods, such as unprocessed agricultural products, livestock, and newspapers, and are exempt from ICC regulations about routes, areas and rates.

Of note is that the traditional distinctions between carrier types have been clouded by the I.C.C.'s eased entry policy and broad grants of authority. Common carriers, for example, have been obtaining contract carrier authority. Contract carrier authority can be so liberally written that it is similar to nationwide general commodity rights of common carriers. Private carriers can haul freight for subsidiaries, can "backhaul" for-hire, or spin-off a subsidiary, obtain authority and operate fully for-hire. Exempt carriers and owner-operators can equally obtain authority to participate in the regulated commodity market.



SOURCE: The Economics of the Motor Freight Industries, Garland Chow, Bloomington, Indiana School of Business, Indiana University, 1978, p. 9.

ICC Geographic Regions

1 New England
2 Middle Atlantic
3 Central
4 Southern
5 Northwestern
6 Middlewestern
7 Southwestern
8 Rocky Mountain
9 Pacific

SCOPE OF THE ANALYSIS

Shippers continue to view the trucking industry as the premier mode of freight transportation, spending $213.1 billion, or 76% of all dollars paid for freight transportation, on trucks. Shippers paid $78.5 billion to move freight locally by truck in 1986, and $134.6 billion moving freight over the road. ICC-authorized motor carriers received revenues of $58.1 billion, while other over the road outfits received $76.5 billion. This latter group is a combination of private carriers, intrastate for-hire trucking companies and exempt truckers.

The focus of this analysis is the ICC-authorized motor carriers. The group in total consists of some 37,000 companies, the majority of which are smaller sized Class III companies – revenues less than $1 million each. Larger sized companies, in Classes I and II, number approximately 4,000 – 1,000 Class I carriers (revenues above $5 million annually); and 3,000 Class II carriers (revenues between $1 and $5 million annually).

Of the $58.1 billion received by the ICC-authorized motor carriers, $39.3 billion was to the Class I carriers; $7.8 billion to the Class II companies; and the remaining $11.0 billion to the smaller Class III carriers.

The 1987 Financial Analysis focuses on 1,502 Class I and II ICC-authorized motor carriers, of which 572 are general freight common carriers and 930 are common and contract carriers of specialized commodities. These companies do not constitute the total number of Class I and II firms, but include those for which consistent and uniform financial and operating data have been obtained for both 1985 and 1986. The carriers in this analysis generated $31.3 billion, or 54% of the total $58.1 billion. They are, therefore, indicative of carrier performance and operating results.

Class I and II firms not represented in this analysis have either been excused from filing results with the ICC or are excluded because data was incomplete, inconsistent, or inaccurate for either 1985 or 1986. Carrier results are taken directly from annual reports submitted to the ICC. None of the approximately 33,000 Class III carriers (in 1986) are represented in this profile since Class III carriers are not required to file financial results with the ICC.

The following defines the groups of carriers used in this 1987 Financial Analysis:

Group A covers the smaller sized general freight carriers, those with revenues less than $5 million (but greater than $1 million). The 246 carriers in this group are further divided into the nine ICC regions based on the domicile of the carriers. Their operating territory may not totally coincide with the assigned region of domicile, but, in general, these smaller sized carriers have more limited territorial coverage than their larger counterparts.

Group B includes 220 general freight carriers with 1986 revenues between $5 million and $25 million. Like carrier group A, they are also further divided into the nine regions of domicile. Their operating territory is broader than that of group A carriers, but nonetheless, regional moreso than nationwide.

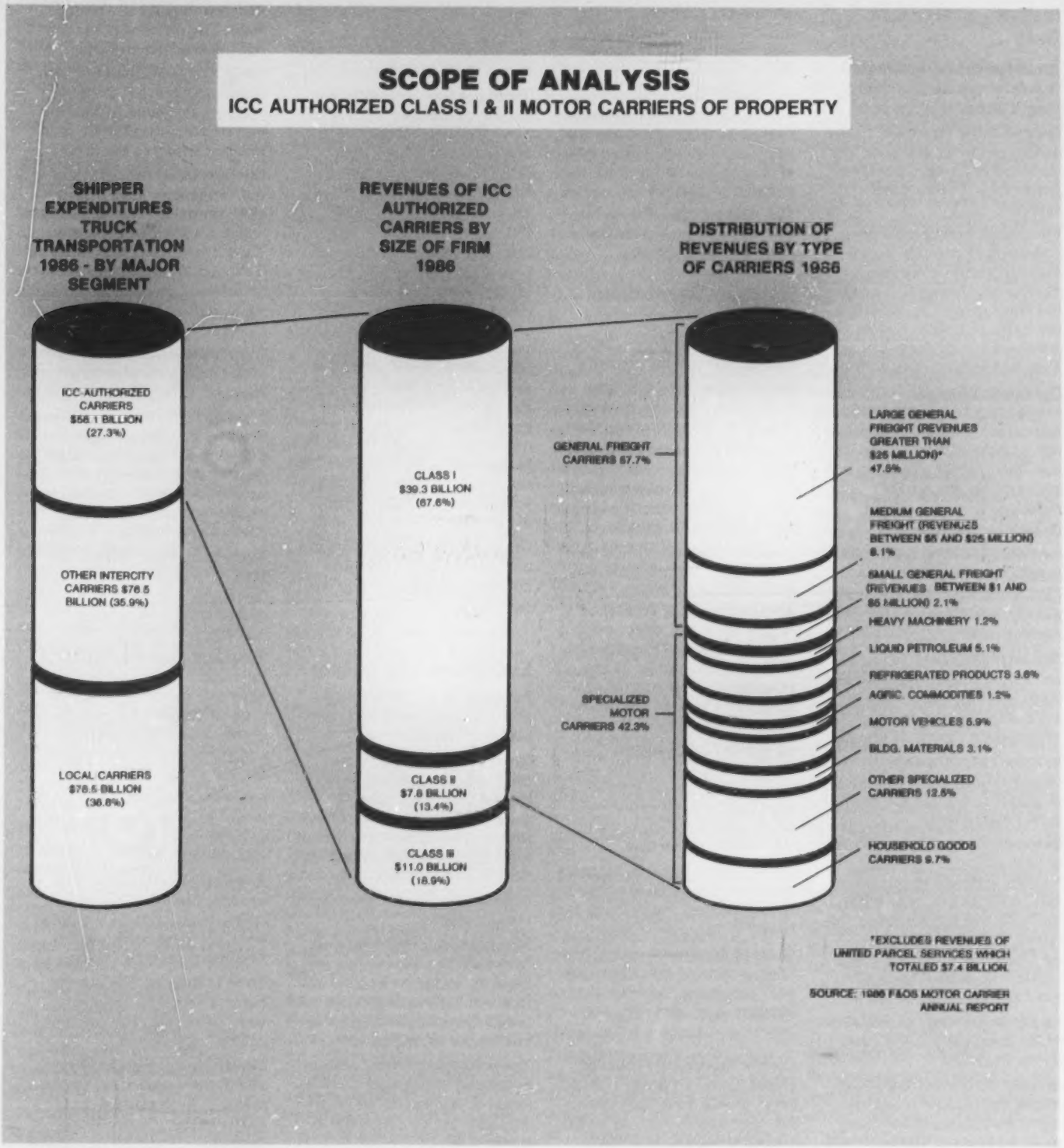
Group C includes 106 general freight firms with revenues of $25 million or more. Group C-1 firms have annual revenues between $25 million and $100 million. Firms in this subgroup are further divided into two length of haul categories: 250 miles and under; and over 250 miles. Seventy five carriers fall into group C-1. Group C-2 consists of 31 carriers with annual revenues greater than $100 million, subdivided into four length of haul categories: under 250 miles; 250-500 miles; 500-750 miles; and greater than 750 miles.

Group D is comprised of the specialized carriers, 930 firms in this 1987 Financial Analysis. They differ from general freight carriers by typically hauling freight in full truckloads from shipper to receiver without the necessity to "break" and consolidate loads at terminal facilities. These firms are sub-grouped on the basis of the principal commodity carried.

A general profile of the economic size of the major groups in the analysis is shown in the following table:

Proportion of Carrier Totals, 1986, in:

	Gross Revenues	Net Income	Total Assets	Operating Property(cost)
Group A	2.1%	2.0%	2.3%	2.3%
Group B	8.1	5.7	6.6	7.0
Group C	47.5	59.4	49.7	50.5
All Gen. Frt.	57.7	67.1	58.6	59.8
Specialized	42.3	32.9	41.4	40.2
Total	100.0%	100.0%	100.0%	100.0%
$Total (Millions)	$31,292	$804	$15,170	$14,339


SCOPE OF ANALYSIS
ICC AUTHORIZED CLASS I & II MOTOR CARRIERS OF PROPERTY
SHIPPER EXPENDITURES TRUCK TRANSPORTATION 1986 - BY MAJOR SEGMENT
REVENUES OF ICC AUTHORIZED CARRIERS BY SIZE OF FIRM 1986
DISTRIBUTION OF REVENUES BY TYPE OF CARRIERS 1986
ICC-AUTHORIZED CARRIERS $58.1 BILLION (27.3%)
OTHER INTERCITY CARRIERS $76.5 BILLION (35.9%)
LOCAL CARRIERS $76.5 BILLION (36.8%)
CLASS I $39.3 BILLION (67.6%)
CLASS II $7.8 BILLION (13.4%)
CLASS III $11.0 BILLION (18.9%)
GENERAL FREIGHT CARRIERS 57.7%
SPECIALIZED MOTOR CARRIERS 42.3%
LARGE GENERAL FREIGHT (REVENUES GREATER THAN $25 MILLION)* 47.5%
MEDIUM GENERAL FREIGHT (REVENUES BETWEEN $5 AND $25 MILLION) 8.1%
SMALL GENERAL FREIGHT (REVENUES BETWEEN $1 AND $5 MILLION) 2.1%
HEAVY MACHINERY 1.2%
LIQUID PETROLEUM 5.1%
REFRIGERATED PRODUCTS 3.6%
AGRIC. COMMODITIES 1.2%
MOTOR VEHICLES 6.9%
BLDG. MATERIALS 3.1%
OTHER SPECIALIZED CARRIERS 12.5%
HOUSEHOLD GOODS CARRIERS 9.7%
*EXCLUDES REVENUES OF UNITED PARCEL SERVICES WHICH TOTALED $7.4 BILLION.
SOURCE: 1986 F&OS MOTOR CARRIER ANNUAL REPORT

TERMINOLOGY

Income Statement Data

Gross Revenues: Total operating revenues derived from freight transportation services.

Depreciation: Non-cash charges to income for use and obsolescence of carrier operating property and other fixed assets.

Purchased Transportation: The costs of revenue equipment rented from others, including affiliates, with or without hired drivers, as well as the costs of transportation purchased from railroads, airlines and water carriers.

Operating Expenses: Expenses which are directly a function of operations, including depreciation and purchased transportation. Non-carrier expenses and interest charges are not included.

Operating Income: Gross revenue less operating expenses.

Interest Expense: The cost, paid or accrued, of purchased money indebtedness from affiliates or others.

Net Income before Taxes: Income from continuing operations, after interest charges, but before income taxes and extraordinary gains or losses.

Income Taxes-Current: Includes taxes paid to the federal, state, and (if applicable) local government.

Deferred Income Taxes: Taxes arising principally from the difference in handling certain assets, such as tires and tubes, for book and tax purposes. Deferred taxes also includes investment tax credits, if applicable. This account is used in the cash throw equation.

Equity in Earnings of Affliates: An account used in the cash throw equation.

Income before Extraordinary Items: Post-tax ordinary income excludes extraordinary gains and losses. Ratios which are developed from after-tax income figures such as net after taxes to equity and to gross revenues are based on post-tax ordinary income.

Extraordinary Items: Includes net gains or losses on unusual items such as the sale of land or securities and typically have minimal impact on net income.

Net Income after Taxes: The sum of post-tax ordinary and extra ordinary income.

Balance Sheet Data: Assets

Cash: Cash, temporary investments, and special deposits.

Receivables from Affiliates: Notes and accounts receivable due from affiliated companies.

Notes and Accounts Receivable: Trade receivables (billings to shippers), interline receivables (billings to other carriers), and other receivables.

Prepaid Expenses: Office supplies, taxes, license and other fees, insurance, interest, and warehoused tires and tubes. Under ICC rules, tires and tubes in use may be either expensed at the outset of use or relegated to this accrual category, according to the discretion of management.

Materials and Supplies: These include fuel, spare parts, and unmounted tires and tubes. Inventories may be expensed when purchased or as they are withdrawn for use.

Other Current Assets: Includes the standard accounting term "other current assets" and deferred income tax charges.

Current Assets: The sum of cash, accounts receivable, prepaid expenses, materials and supplies, and other current assets.

Carrier Operating Property (Net): A motor carrier's "inventory" that is, revenue producing fixed assets such as trucks, tractors, trailers, buildings, land, leasehold improvements, and office equipment, as valued at cost, less accumulated depreciation and amortization.

Total Tangible Property: Net carrier operating property plus other net non-carrier operating property. The "other" property account includes items such as land purchased for expansion, or buildings, etc.

Intangible Assets: A combination of (a) the carrying values of operating authorities ("Rights") from the ICC and state regulatory bodies and (b) goodwill, principally from acquisitions of other companies and their properties, being the excess of cost over the net book value of the assets acquired. As a result of the Motor Carrier Act of 1980, the value of interstate operating authorities has been virtually eliminated.

Other Assets: Investments in and advances to affiliated companies; deferred and miscellaneous debits.

Liabilities and Equity

Payables to Affiliates: Notes and accounts payable to affiliated companies.

Notes Payable: Short-term debt used for cyclical working capital purposes, such as license fees and insurance premiums. The current portion of funded (long-term) debt does not fall into this category.

Accounts Payable: Operational trade payables.

Miscellaneous Payables and Accruals: Unpaid salaries and benefits, including health, welfare and withholding taxes, accrued dividends and other miscellaneous accounts.

Taxes Payable: Miscellaneous taxes due or accrued, such as income, real estate and highway use, but not deferred income taxes.

Current Portion of Funded Debt: The amount of funded debt due within one year.

Other Current Liabilities: Includes the current portion of advances payable, estimated accrued liabilities, other liabilities and deferred tax credits.

Current Liabilities: The sum of notes payable, accounts payable, miscellaneous payables and accruals, taxes payable, the current portion of funded debt and other current liabilities.

Advances Payable: Contains the non-current portion of advances payable, both to affiliated companies and other business enterprises.

Funded Debt: Secured or unsecured purchased money indebtedness taken for a term greater than one year and used primarily for revenue equipment and real estate purchases.

Total Long-Term Debt: The sum of long-term funded debt (excluding current maturities) and long-term advances payable.

Total Funded Debt: The total purchased money indebtedness of a company including long-term funded debt and the current portion of that debt. Long-term advances payable are not included here.

Reserves and Estimated Liabilities: Reserves covering cargo loss, damage and self-insurance programs.

Accumulated Deferred Tax Credits: Deferred income taxes resulting from the difference between book and tax treatment of depreciation.

Total Liabilities: The sum of current liabilities, total long term debt, and reserves and estimated liabilities.

Stockholders' Equity: The equity in the assets held by proprietors, partnerships, and stockholders; comprises all classes of capital stock, capital

surplus, and retained earnings, net of treasury stock.

Total Capital: Total long-term debt (funded debt due after one year and non-current advances payable) plus stockholders' equity.

Analytical Data: Profitability

Gross Revenues to Equity: One of several measures suggesting the degree of efficiency in employment of capital.

After-Tax Income to Equity: This ratio, return on shareholders' equity, or return on equity, indicates how well the owner's investment dollars are used.

Gross Revenues to Carrier Operating Property (Net) and (at Cost): These measures tell how much revenue is produced by each dollar of operating equipment and are another index of management's efficiency. They are best applied to year-to-year comparisons of the same or very similar carriers; the amount of purchased transportation employed can otherwise affect the validity of comparisons.

Gross Revenues to Total Capital and Pre-Tax Income to Total Capital: Two additional operating ratios which measure the turnover of total capital on revenues and pre-tax income.

Pre-Tax and After-Tax Income to Gross Revenues: Well-known measures of profitability, the net profit margin. Since motor carriers typically show low margins on high volumes, even slight changes in these ratios may indicate significant trends.

Return on Transportation Investment: Net carrier operating income divided by carrier operating property (net) plus working capital expressed as a percent.

Expense Ratio: Total operating expenses plus interest expenses as a percentage of gross revenues. Unlike the operating ratio, the expense ratio also takes into account the cost of debt.

Operating Ratio: Operating expenses as a percentage of gross revenues. This is an important index of operating efficiency. Since it excludes extraordinary expenses, income taxes and interest, individual peculiarities are eliminated so that the ratio may be used as a measure of performance industry-wide.

Liquidity

Cash Throw: Net income after taxes plus depreciation, as defined, plus deferred income taxes accrued during the reporting period minus equity in the earnings of affiliated companies.

In the analysis, cash throw is compared to levels of debt in the sense of the time to pay off debt. However, it is recognized that normal operations preclude using all cash throw solely for debt retirement since it is used for numerous other purposes. The time period coverage is offered as one measure of liquidity and should be evaluated relative to cash throw to debt coverage of the other carrier groups.

Working Capital: Current assets less current liabilities.

Current Ratio: The ratio of current assets to current liabilities. The working capital requirements of motor carriers are not comparable with those of other industries since inventories are relatively minor and receivables turn over relatively quickly.

Days of Cash Expenses in Working Capital: To compute, (a) subtract depreciation and the gain (loss) from disposition of operating assets from operating expenses to get cash operating expenses; (b) divide cash operating expenses by 365; (c) divide the result into working capital. This ratio measures the ability of the carrier to meet daily operating expenses from working capital. To service debt, it is cash throw from ongoing operations, not a diminution of current assets, which is relevant, and, therefore, the days-of-cash ratio is a better indicator of operational viability than the current ratio.

Average Days Collection Period: Notes and accounts receivable times 365 divided by gross revenues. This ratio is helpful in analyzing the collectibility of receivables. When comparing the collection period of one firm or industry with that of another allowances should be made for possible variations in selling terms. Note that the collection period ratio shown herein, relating revenues to receivables, does not specifically address the collection procedure of motor carrier groups; however, it is indicative of relative turnover of receivables.

Leverage & Debt Service

Funded Debt to Equity: The ratio of total funded debt, including current maturities, to shareholders' equity. If current operations can be adequately funded from working capital, this ratio reveals the degree of protection afforded to long-term lenders.

Net Debt to Equity: Funded debt due after one year less working capital, divided by stockholders' equity. A more sharply-honed version of the preceding ratio, since it does not include working capital, which ought to be sufficient to cover current operations.

Funded Debt to Tangible Net Worth: Total funded debt divided by stockholders' equity less intangibles. This ratio is another "fine-tuned" version of the debt to equity ratio in that intangibles are eliminated from stockholders' equity.

Cash Throw to Debt Due in One Year: Cash throw divided by current portion of funded debt. This ratio, which indicates the ability to service the current portion of long-term debt principal, is useful for analyzing smaller carriers which finance equipment purchases on an installment contract basis. Since revolving credit arrangements do not provide for current maturities, the ratio will be misleading when applied to carriers using this financing vehicle. An axiom of lenders is that carriers should be able to cover current debt maturities through depreciation alone.

Cash Throw to Total Funded Debt: This index reveals the proportion of total funded debt that could be repaid in one year if all cash throw were directed to that end. As such, it yields a better measure of the ability of carriers who use equipment revolvers to service their debt than does the preceding ratio. The reciprocal of this ratio is the number of years required to repay debt completely, and it may usefully be compared with the average remaining life of carrier operating property.

Interest to Total Funded Debt: This index shows the percentage interest payments represent of total funded debt.

Net Carrier Operating Property to Net Worth: As a measure of owners' equity in operating property, this ratio points to the relative adequacy of capitalization as well as to efficient use of capital.

Additional Ratios

Receivables to Payables: Notes and accounts receivable divided by notes payable plus accounts payable.

Depreciation to Debt Due in One Year: Depreciation divided by funded debt due in "one" year.

Total Tangible Property to Equity: Total tangible property divided by stockholders' equity.

Income before Extraordinary Items to Equity, Percent: Net income after taxes, but before extraordinary and prior period items divided by stockholders' equity times 100.

Gross Revenues to Total Tangible Property: Gross revenues divided by total tangible property.

Productivity

Total Payroll to Revenues: This ratio suggests the degree of efficiency with which labor is employed. The ability to control payroll expenses will vary, of course, between different kinds of carriers and the ratio should be used with caution when comparing carriers of unlike kind.

Total Payroll (WPT) to Revenues: The ratio of total payroll (including purchased transportation) to revenues is a refinement of the preceding ratio. It too reveals efficiency in the use of personnel resources; it is more meaningful than the ratio of total payroll to revenues for analysing those carriers, such as Group D carriers, which rely heavily upon purchased transportation.

Cargo Handler Compensation to Revenues: Cargo handler compensation comprises one of the main components of total payroll, especially for general freight carriers. Thus, this ratio focuses upon one aspect of personnel costs.

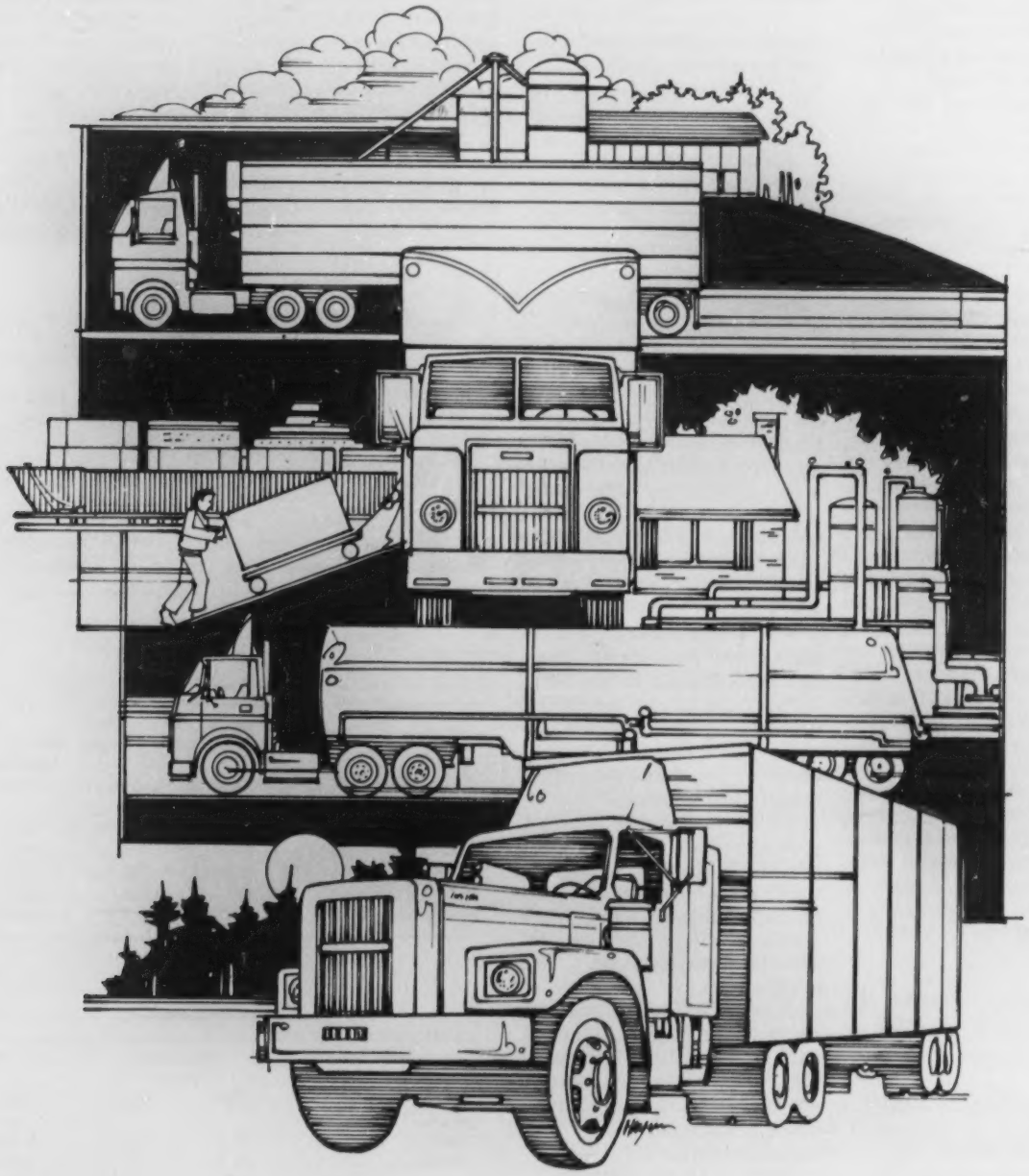
Linehaul Expenses to Revenues: The linehaul expense category aggregates the allocation of various operating expenses. The ratio thus gives yet another handle on operating productivity.

Average Load: An index of the utilization of productive capacity, derived from the ton-mile figures compiled by carriers. Ton-miles are perhaps the most troublesome statistic for motor carriers to generate, but should reflect a summation of the number of truck movements made during any period, with the relevant data for each truck movement being the tons handled multiplied by the mileage of the movement.

Total Tons: Total tons reflects a combination of tons handled in truckload and less-than-truckload amounts as well as tonnage from common and contract carrier intercity service.

Total Miles: Total miles reflects intercity miles with owned vehicles and vehicles rented with and without driver as well as driveaway miles.

CARRIER GROUP ANALYSES



Composite Carrier Groups A, B, C & D

Overview

Financial improvement was the general direction of change for the interstate for-hire carriers represented in this 1987 Motor Carrier Financial Analysis. For the aggregate group of general freight and specialized motor carriers, the operating ratio dropped a full point, from 96.44 to 95.37, and the after tax net profit margin improved from 1.91% to 2.57% between 1985 and 1986.

The improvement in profitability reflects an obviously favorable change in revenues over expenses. While revenue growth could be assigned to some improvements in business – tonnage and mileage – profitability improvements stemmed mainly from fuel price declines, as an analysis of expense changes (beyond the scope of this analysis) would indicate.

The gain in profitability was especially important in the industry because this is only the second time in the last eight years profitability has improved. The level of profits, as indicated by the operating ratio and net profit margin, is nothing exceptional; nevertheless, it has allowed the carriers to get their financial house in sounder condition. It has also afforded many companies the opportunity to invest in equipment, showing up in growth in new truck and tractor sales in 1987.

Carrier Group Comparisons 1986 - 1985

Moderate business improvements were registered by most of the major carrier groups in 1986, as shown by Table 1. The exception was the smaller sized general freight carriers, handling 3.2% less tonnage in 1986 than in 1985. This group had also experienced a tonnage decline between 1984 and 1985. This tonnage decline meant less revenues, again mirroring their situation in 1984-85.

The large general freight carriers showed the best relative business improvement, with tonnage up 5.1% and revenues, a disproportionate 8.5%.

For both medium general freight carriers and specialized carriers, tonnage improved, as did revenues, but the revenue growth was under the level of tonnage improvement.

All the major groups showed an improvement in profitability in 1986 due to a favorable revenue over expense spread (Table 2). Even for the small general freight carriers, with revenues declining, expenses fell faster. This group, in fact, had the greatest percentage gain in profits, up about 80%. As shown by Table 3, this raised their profit margin from a thin 1.29% in 1985 to 2.40% in 1986.

The large general freight carriers also had healthy percentage gains in profits – 50% for operating profits and 60% for net profits. This dropped their operating ratio nicely to under 94 and raised the profit margin to 3.26%.

Medium general freight carriers had a 17% gain in operating profits, improving their operating ratio somewhat. Net profits, however, only increased 1.7%, actually decreasing their net profit margin.

Specialized carriers had moderate profit gain, in the 20 percent range. Both operating ratio and profit margin were affected in the right direction, but both measures remain generally weak.

The profitability changes noted above are generally reflected by levels and changes in returns on equity and (transportation) investment (Table 4). The large general freight carriers have the superior returns and the best point improvement from 1985. Small general freight carriers have very positive point improvements, but still have the lowest 1986 returns. Specialized carriers achieved modest point improvements and show moderate returns, while the medium general freight carriers experienced a slight decline in return on equity despite a slim improvement in return on investment.

Changes in liquidity showed a much wider variance than did profitability. Consider the large general freight carriers, whose cash throw (stemming from net income) grew 32.5%, while working capital (current assets minus current liabilities) declined 3.2% (Table 5). Their current ratio, weakest among the groups in 1985, declined further in 1986 (Table 6); similarly for their days of cash

Table 1

	Percent Change, 1986 vs. 1985, in: Revenues	Tonnage	Mileage
General Freight			
Small	(4.8)%	(3.2)%	0.6%
Medium	3.7	4.8	6.2
Large	8.5	5.1	9.5
All General Freight	7.3	4.2	8.5
Specialized Carriers	2.5%	3.4%	1.9%

Table 2

	Percent Change, 1986 vs. 1985, in: Revenues	Expenses	Operating Profits	Net Profits
General Freight				
Small	(4.8)%	(5.8)%	79.4%	81.3%
Medium	3.7	3.3	17.1	1.9
Large	8.5	6.6	49.7	60.8
All General Freight	7.3	5.6	46.8	53.8
Specialized Carriers	2.5%	2.0%	19.3%	22.2%

Table 3

	Operating Ratio 1986	1985	Net Profit Margin 1986	1985
General Freight				
Small	97.59	98.72	2.40	1.29
Medium	96.82	97.18	1.77	1.85
Large	93.92	95.59	3.26	2.15
All General Freight	94.46	95.95	3.02	2.07
Specialized Carriers	96.60	97.08	1.96	1.66

operating expenses in working capital. It's almost ironic that the group strongest in profitability is weakest in liquidity.

The small general freight carriers, noted above to be the group weakest in profitability, are correspondingly the soundest group in liquidity measures. Although cash throw and working capital did not show great percentage changes, their current ratio is very strong (1.83), as is their coverage of daily cash operating expenses (53 days).

Medium general freight and specialized carriers have sound liquidity positions, current ratios of 1.29 and 1.37, and expense coverage of 15.5 and 22 days, respectively. Annual changes in cash throw and working capital were minor for medium general freight carriers; much stronger, especially working capital, for the specialized carriers.

Overall, debt levels were held at bay between 1985 and 1986, and the debt burden moderated somewhat, due to lower interest rates on new debt plus paying off debt due at higher rates. Table 7 shows that while levels of funded debt increased in 1986 from 1985, it was consistent with, and not higher than, the growth of total assets. Both the small and large general freight carriers exhibited a year to year decline in interest expense; only the specialized carriers showed a growth in interest expense greater than the percentage gain in funded debt.

Funded debt to equity levels showed very little change between 1985 and 1986 (Table 8). Both the small and large general freight carriers are the least leveraged by this measure, with ratios of 0.3. The medium general freight and specialized carriers show much greater leverage -- ratios in the 0.5 to 0.6 range. The medium general freight carriers were the only group to become "appreciably" more leveraged in 1986 than 1985.

Cash throw to funded debt is a measure of the ability of a group to become free of debt, were all cash throw (profits and depreciation) spent exclusively on paying off debt. A measure of 100 indicates the carrier or group could be totally debt free in one year; a measure of 50 means two years. On the basis of this measurement, the large general freight carriers are in the best shape, followed by small general freight carriers, their medium counterparts, and lastly, specialized carriers (Table 9).

Table 9 also indicates interest expense as a percentage of funded debt -- somewhat a measure of the "effective" interest rate. For each of the general freight groups, interest fell as a percent of funded debt between 1985 and 1986, to within the 10 to 11 percent

Table 4

	Return on Equity		Return on Trptn. Investment	
	1986	1985	1986	1985
General Freight				
Small	8.33%	4.67%	7.91%	4.36%
Medium	11.06	11.26	14.46	13.39
Large	13.94	9.53	20.80	15.46
All General Freight	13.39	9.46	19.59	14.74
Specialized Carriers	10.29%	8.98%	13.21%	10.77%

Table 5

	Cash Throw		Working Capital	
	1986 Mil $	% Change from 1985	1986 Mil $	% Change from 1985
General Freight				
Small	$ 45.03	14.4%	$ 91.49	4.0%
Medium	149.56	4.2	99.94	5.6
Large	1,192.22	32.5	250.63	(3.2)
All General Freight	1,386.81	28.1	442.06	0.1
Specialized Carriers	$ 822.36	7.9%	$749.17	33.9%

Table 6

	Current Ratio		Days of Cash Operating Expenses in Working Capital	
	1986	1985	1986	1985
General Freight				
Small	1.83	1.80	53.58	48.48
Medium	1.29	1.29	15.46	15.08
Large	1.11	1.13	6.85	7.52
All General Freight	1.17	1.18	9.88	10.39
Specialized Carriers	1.37	1.29	22.30	16.97

Table 7

	Percent Change, 1986 vs. 1985, in:		
	Interest Expense	Funded Debt	Total Assets
General Freight			
Small	(4.1)%	3.0%	0.3%
Medium	3.7	15.0	6.8
Large	(8.0)	10.4	11.4
All General Freight	(5.9)	10.8	10.4
Specialized Carriers	4.4%	3.7%	5.0%

Table 8

	Funded Debt to Equity		Net Debt to Equity	
	1986	1985	1986	1985
General Freight				
Small	0.31	0.30	(0.26)	(0.25)
Medium	0.59	0.52	0.18	0.14
Large	0.30	0.30	0.16	0.17
All General Freight	0.33	0.33	0.14	0.14
Specialized Carriers	0.55	0.56	0.12	0.18

range. For specialized carriers, it rose, and remains higher than in the general freight segment.

Table 10 shows additional indicators of the interest burden on motor carriers, looking at the drain interest puts on revenues and operating income – the "after expenses" income for paying interest, income taxes, other non-operating costs, and retaining for profit. As a fraction of revenues, interest expense is highest for the specialized carriers – almost 1.4% of revenues. Similarly, interest takes almost 40% of the specialized carriers' operating income. The small general freight carriers show the same level of interest drain on operating income – 40%. However, this is a very significant improvement from 1985, where interest took almost 75% of their operating income.

The medium general freight carrier also still pays a rather steep interest penalty, over 1 percent of revenues and a third of operating profits. In contrast, the large general freight carriers are in good shape, with but three quarters of one percent of revenues and only 13 percent of operating profits tied up in interest expenses.

Table 11 shows select data on the carriers' investment in operating property, and gives an indication of asset age. The newest fleet – that is, the fleet least depreciated – is that of the large general freight carrier (43.4% depreciated). This group also made the most extensive investment in operating property in 1986, increasing property at cost by over 12%.

In contrast to the large general freight carriers, the oldest fleet belongs to the smaller general freight carriers (66% depreciated), who invested virtually nothing (0.9%) in the fleet between 1985 and 1986.

Table 9

	Cash Throw to Funded Debt		Interest to Funded Debt	
	1986	1985	1986	1985
General Freight				
Small	75.59	68.09	10.74	11.54
Medium	62.31	68.78	11.42	12.66
Large	115.49	96.26	11.26	13.52
All General Freight	104.12	90.13	11.27	13.27
Specialized Carriers	58.94	56.64	12.80	12.72

Table 10

	Interest Expense as a Percent of:			
	Revenues		Net Carrier Operating Income	
	1986	1985	1986	1985
General Freight				
Small	0.96%	0.95%	39.8%	74.4%
Medium	1.08	1.08	34.0	38.4
Large	0.78	0.92	12.9	20.9
All General Freight	0.83	0.95	15.0	23.4
Specialized Carriers	1.35%	1.33%	39.8%	49.4%

Table 11

	Carrier Operating Property Percent Depreciated		% Ch 1986 vs 1985 in: Operating Property at Cost	Deprec. Reserve
	1986	1985		
General Freight				
Small	65.8%	63.6%	0.9%	4.4%
Medium	54.6	54.8	8.6	8.2
Large	43.4	43.5	12.2	12.0
All General Freight	45.6	45.7	11.3	11.0
Specialized Carriers	54.0%	52.0%	4.2%	8.2%

Table 12

	Purchased Trptn. Expense as % of Revenues		Gross Revenues to Net Carrier Operating Property	
	1986	1985	1986	1985
General Freight				
Small	19.6%	19.5%	5.97	5.95
Medium	28.4	28.5	5.54	5.83
Large	12.8	13.4	3.63	3.76
All General Freight	15.2	15.8	3.87	4.03
Specialized Carriers	35.2%	35.1%	4.99	4.85

Medium general freight and specialized carriers also have fleets more than half depreciated; the mid sized general freight carriers did invest almost 9% more; the specialized carriers only 4% more.

Supplementing the fleet age data is information on usage of owner operators (i.e., purchased transportation expenses). The older fleet age and minimal investment of the specialized carriers is less significant understanding that 35% of their operating expenses are paid for owner-operator labor.

Among the general freight groups, the greatest use of purchased transportation is by the medium sized carriers; the least use by the larger general freight firms. Since the small carriers made only moderate use of owner-operators, the problem inherent in having such an aged fleet and small investment cannot be explained away.

The data on relative use of purchased transportation, that is, an alternative to owning equipment by the firm, helps explain some of the divergence in revenue generated per invested dollar. Comparing a $5 "return" for the specialized carriers to a $3.80 "return" for all general freight carriers does not actually square with the total picture of revenue generating power per unit (or employee, etc.).

Summary

By most measures, 1986 proved to be a fairly good year in the post-deregulated period – earnings were not up to pre-deregulation norms, but were the best achieved since 1978. The large general freight carriers emerged from 1986 in good shape; the small and medium sized carriers, plus their specialized carrier counterparts, showed much needed

improvements in many areas, but continue to exhibit weaknesses in many others. Unfortunately, the key to the improvements in 1986, fuel price declines, have ceased in 1987, and carrier earnings have dipped down again in the initial quarters of the year. Discounting has also been an especially prevalent factor through at least the first half of 1987, dissolving away revenue gains that otherwise would have been associated with modest growth in tonnage and mileage. Further, the fragile state of the economy as noted by the wild October dip in the stock market plus confidence surveys of consumers leaves a sour mark on the short term prospects for the trucking industry to fully regain its state of financial health.

Composite Carrier Group A, B, C, & D

	TOTAL GROUP A				TOTAL GROUP B			
NUMBER OF CARRIERS	248				220			
YEAR	1986		1985		1986		1985	
INCOME STATEMENT	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA								
GROSS REVENUES	666.56	100.0	699.86	100.0	2,536.45	100.0	2,445.41	100.0
DEPRECIATION	29.30	4.4	30.11	4.3	102.71	4.0	96.47	3.9
PURCHASED TRANSPORTATION	130.88	19.6	136.55	19.5	721.32	28.4	696.26	28.5
TOTAL OPERATING EXPENSES	650.48	97.6	690.90	98.7	2,455.64	96.8	2,376.56	97.2
NET CARRIER OPERATING INCOME	16.08	2.4	8.96	1.3	80.61	3.2	68.85	2.8
INTEREST EXPENSE	6.40	1.0	6.67	1.0	27.42	1.1	26.43	1.1
NET INCOME BEFORE TAXES	20.86	3.1	12.71	1.8	61.57	2.4	57.52	2.4
INCOME TAXES-CURRENT	5.13	0.8	3.46	0.5	14.72	0.6	10.43	0.4
DEFERRED INCOME TAXES	0.11-	0.0	0.03	0.0	1.99	0.1	4.24	0.2
OTHER ADJUSTMENTS TO INCOME	0.16	0.0	0.18-	0.0	0.15	0.0	2.34	0.1
INCOME BEFORE EXTRA ITEMS	16.00	2.4	9.04	1.3	45.00	1.8	45.19	1.8
EXTRAORDINARY ITEMS	0.00	0.0	0.22-	0.0	1.00	0.0	0.07-	0.0
NET INCOME AFTER TAXES	15.99	2.4	8.82	1.3	46.00	1.8	45.12	1.8
BALANCE SHEET								
ASSETS								
CASH	47.28	13.3	44.51	12.6	100.56	10.0	94.78	10.1
RECEIVABLES FROM AFFILIATES	45.21	12.7	42.36	12.0	44.21	4.4	40.45	4.3
NOTES & ACCOUNTS RECEIVABLE	87.63	24.7	89.55	25.3	238.25	23.7	231.90	24.6
PREPAID EXPENSES	12.88	3.6	11.41	3.2	40.15	4.0	36.24	3.8
MATERIALS & SUPPLIES	2.80	0.8	3.06	0.9	14.80	1.5	14.68	1.6
OTHER CURRENT ASSETS	6.33	1.8	6.81	1.9	2.98	0.3	2.36	0.3
TOTAL CURRENT ASSETS	202.13	56.9	197.50	55.8	440.95	43.8	420.40	44.6
CARRIER OPERATING PROPERTY	326.42	91.9	323.36	91.3	1,008.07	100.2	928.53	98.5
RESERVE FOR DEPRECIATION	214.70	60.4	205.72	58.1	550.64	54.7	509.00	54.0
CARRIER OPERATING PROPERTY NET	111.73	31.5	117.64	33.2	457.43	45.4	419.54	44.5
TOTAL TANGIBLE PROPERTY	124.58	35.1	129.64	36.6	487.25	48.4	447.86	47.5
INTANGIBLES	5.34	1.5	4.69	1.3	17.47	1.7	15.65	1.7
OTHER ASSETS	23.13	6.5	22.22	6.3	60.82	6.0	58.50	6.2
TOTAL ASSETS	355.18	100.0	354.05	100.0	1,006.48	100.0	942.40	100.0
LIABILITIES & EQUITY								
PAYABLES TO AFFILIATES	9.42	2.7	8.37	2.4	41.26	4.1	61.94	6.6
NOTES PAYABLE	11.60	3.3	10.36	2.9	36.61	3.6	24.48	2.6
ACCOUNTS PAYABLE	43.19	12.2	48.69	13.8	101.84	10.1	100.46	10.7
MISC PAYABLES & ACCRUALS	5.99	1.7	6.40	1.8	27.80	2.8	24.01	2.5
TAXES PAYABLE	7.35	2.1	4.79	1.4	9.07	0.9	7.57	0.8
FUNDED DEBT DUE WITHIN ONE YEAR	17.22	4.8	17.33	4.9	66.14	6.6	59.22	6.3
OTHER CURRENT LIABILITIES	15.87	4.5	13.57	3.8	58.27	5.8	48.11	5.1
TOTAL CURRENT LIABILITIES	110.63	31.1	109.50	30.9	341.01	33.9	325.80	34.6
ADVANCES PAYABLE	6.18	1.7	5.40	1.5	51.83	5.1	31.68	3.4
FUNDED DEBT DUE AFTER ONE YEAR	42.35	11.9	40.48	11.4	173.90	17.3	149.50	15.9
TOTAL LONG TERM DEBT	48.53	13.7	45.87	13.0	225.73	22.4	181.18	19.2
TOTAL FUNDED DEBT	59.57	16.8	57.80	16.3	240.04	23.8	208.73	22.1
RESERVES & EST LIABILITIES	2.15	0.6	1.88	0.5	9.53	0.9	8.88	0.9
ACCUM DEFERRED TAX CREDITS	1.89	0.5	3.25	0.9	23.13	2.3	25.37	2.7
TOTAL LIABILITIES	163.20	45.9	160.50	45.3	599.41	59.6	541.23	57.4
STOCKHOLDER'S EQUITY	191.98	54.1	193.55	54.7	407.08	40.4	401.18	42.6
TOTAL CAPITAL	240.51	67.7	239.42	67.6	632.80	62.9	582.36	61.8
TOTAL LIABILITIES & EQUITY	355.18	100.0	354.05	100.0	1,006.48	100.0	942.40	100.0
ANALYTICAL DATA	1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS	
OPERATING PERFORMANCE								
GROSS REVENUES TO EQUITY	3.47		3.62		6.23		6.10	
GROSS REVENUES TO TOTAL CAPITAL	2.77		2.92		4.01		4.20	
GROSS REVENUES TO NET CARR OPER PROP	5.97		5.95		5.54		5.83	
GROSS REVENUES TO CARR OPER PROP (COST)	2.04		2.18		2.52		2.63	
PRE-TAX INCOME TO GROSS REVENUES %	3.13		1.82		2.43		2.35	
PRE-TAX INCOME TO TOTAL CAPITAL, %	8.67		5.31		9.73		9.88	
AFTER TAX INCOME TO GROSS REVENUES %	2.40		1.29		1.77		1.85	
AFTER TAX INCOME TO EQUITY, %	8.33		4.67		11.06		11.26	
RETURN ON TRANSPORTATION INVESTMENT, %	7.91		4.36		14.46		13.39	
EXPENSE RATIO %	95.55		99.67		97.90		98.27	
OPERATING RATIO %	97.59		98.72		96.82		97.18	
AVERAGE REVENUE PER CARRIER	2.71		2.84		11.53		11.12	
NET INCOME PER CARRIER	0.07		0.04		0.20		0.21	
LIQUIDITY								
CASH THROW OFF, DOLLARS	45.03		39.36		149.56		143.57	
WORKING CAPITAL, DOLLARS	91.49		88.00		99.94		94.60	
CURRENT RATIO	1.83		1.80		1.29		1.29	
DAYS CASH OPER EXP IN WORK CAP	53.58		48.48		15.46		15.06	
AVERAGE DAYS COLLECTION PERIOD	47.99		46.70		34.26		34.61	
LEVERAGE & DEBT SERVICE								
FUNDED DEBT TO EQUITY	0.31		0.30		0.59		0.52	
NET DEBT TO EQUITY	0.26-		0.25-		0.18		0.14	
FUNDED DEBT TO TANGIBLE NET WORTH	0.32		0.31		0.62		0.54	
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	261.51		227.18		228.13		242.42	
CASH THROW TO TOTAL FUNDED DEBT %	75.59		68.09		62.31		68.76	
INTEREST TO TOTAL FUNDED DEBT %	10.74		11.54		11.42		12.66	
CARRIER PROPERTY (NET) TO EQUITY	0.58		0.61		1.12		1.05	
ADDITIONAL RATIOS								
RECEIVABLES TO PAYABLES	1.60		1.52		1.72		1.66	
DEPREC TO DEBT DUE IN ONE YEAR	1.70		1.74		1.55		1.63	
TOTAL TANG PROP TO EQUITY	0.65		0.67		1.20		1.12	
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	8.33		4.67		11.06		11.20	
GROSS REVENUES TO TOTAL TANG PROP	5.35		5.40		5.21		5.46	
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)								
TOTAL PAYROLL TO REVENUES %	28.68		29.01		24.49		24.85	
TOTAL PAYROLL (WPT) TO REVENUES %	46.73		46.73		53.04		53.62	
CARGO HANDLER COMPEN TO REVENUES %	2.20		2.24		2.74		2.84	
LINEHAUL EXPENSES TO REVENUES %	47.71		49.21		54.23		54.10	
REVENUE PER TON-MILE, CENTS	14.47		14.84		13.42		13.64	
AVERAGE LOAD, TONS	11.40		11.69		12.00		12.22	
TOTAL TONS, THOUS	16,118.81		16,653.02		64,010.24		61,520.24	
TOTAL MILES, THOUS	289,966.19		288,382.26		1,323,100.39		1,246,189.77	

TOTAL GROUP C 108 1986		1985		TOTAL A B & C 1986		1985		TOTAL D 930 1986		1985	
$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
14,862.01	100.0	13,694.96	100.0	16,085.02	100.0	16,840.24	100.0	13,227.39	100.0	12,900.93	100.0
632.89	4.3	560.80	4.1	764.90	4.2	687.38	4.1	560.91	4.2	537.34	4.2
1,899.62	12.8	1,830.43	13.4	2,751.82	15.2	2,663.24	15.8	4,661.52	35.2	4,525.71	35.1
13,958.13	93.9	13,091.33	95.6	17,064.45	94.5	16,158.79	96.0	12,778.04	96.6	12,524.12	97.1
903.89	6.1	603.63	4.4	1,000.58	5.5	681.44	4.0	449.35	3.4	376.81	2.9
116.25	0.8	126.39	0.9	150.07	0.8	159.50	0.9	178.65	1.4	171.07	1.3
836.94	5.6	516.88	3.8	919.37	5.1	587.11	3.5	386.62	2.9	302.48	2.3
277.61	1.9	177.65	1.3	297.46	1.6	191.54	1.1	125.17	0.9	77.86	0.6
87.09	0.6	80.91	0.6	88.96	0.5	85.19	0.5	23.04	0.2	23.83	0.2
12.95	0.1	35.64	0.3	13.27	0.1	37.79	0.2	20.90	0.2	13.90	0.1
485.19	3.3	293.95	2.1	546.19	3.0	346.18	2.1	259.31	2.0	214.67	1.7
7.57-	0.1-	3.02	0.0	6.57-	0.0	2.73	0.0	4.73	0.0	1.41	0.0
477.62	3.2	296.97	2.2	539.62	3.0	350.91	2.1	264.03	2.0	216.08	1.7
372.81	4.9	301.28	4.5	520.84	5.9	440.56	5.5	448.82	7.2	373.75	6.3
261.61	3.5	245.50	3.6	351.03	3.9	328.31	4.1	429.54	6.8	340.15	5.7
1,402.87	18.6	1,280.18	18.9	1,728.75	19.4	1,601.63	19.9	1,507.98	24.0	1,410.05	23.6
287.08	3.8	247.05	3.7	340.11	3.8	294.69	3.7	230.57	3.7	209.30	3.5
111.22	1.5	111.20	1.6	128.82	1.4	128.94	1.6	87.80	1.4	90.49	1.5
33.64	0.4	57.04	0.8	42.96	0.5	66.01	0.8	78.04	1.2	88.81	1.5
2,469.23	32.8	2,242.24	33.2	3,112.31	35.0	2,860.14	35.5	2,782.55	44.4	2,512.56	42.0
7,237.88	96.1	6,451.10	95.4	8,572.38	96.4	7,702.99	95.6	5,766.83	91.9	5,538.27	92.6
3,142.81	41.7	2,806.02	41.5	3,908.14	43.9	3,520.74	43.7	3,114.96	49.7	2,878.90	48.2
4,095.06	54.3	3,645.08	53.9	4,664.24	52.4	4,182.25	51.9	2,651.87	42.3	2,657.37	44.5
4,144.07	55.0	3,694.45	54.6	4,755.90	53.5	4,271.93	53.0	2,735.98	43.6	2,739.14	45.8
85.26	1.1	83.08	1.2	108.07	1.2	103.42	1.3	119.44	1.9	114.74	1.9
836.25	11.1	743.19	11.0	920.19	10.3	823.91	10.2	635.77	10.1	610.39	10.2
7,534.81	100.0	6,762.96	100.0	8,896.47	100.0	8,059.41	100.0	6,273.74	100.0	5,976.82	100.0
209.87	2.8	111.44	1.6	260.57	2.9	181.75	2.3	352.92	5.6	296.21	5.0
91.12	1.2	44.00	0.7	139.33	1.6	78.83	1.0	141.65	2.3	144.43	2.4
553.05	7.3	509.86	7.5	696.06	7.8	659.01	8.2	597.23	9.5	641.91	10.7
179.30	2.4	250.30	3.7	213.09	2.4	280.71	3.5	122.06	1.9	98.51	1.6
153.19	2.0	142.59	2.1	169.61	1.9	154.95	1.9	111.65	1.8	77.12	1.3
224.59	3.0	152.47	2.3	307.95	3.5	229.02	2.8	351.53	5.6	363.39	6.1
807.48	10.7	772.72	11.4	881.62	9.9	834.41	10.4	356.34	5.7	329.51	5.5
2,218.60	29.4	1,983.37	29.3	2,670.25	30.0	2,418.67	30.0	2,033.38	32.4	1,953.06	32.7
279.25	3.7	290.98	4.3	337.26	3.8	328.06	4.1	344.30	5.5	358.70	6.0
807.74	10.7	782.52	11.6	1,023.99	11.5	972.50	12.1	1,043.84	16.6	981.77	16.4
1,086.99	14.4	1,073.50	15.9	1,361.25	15.3	1,300.56	16.1	1,388.14	22.1	1,340.47	22.4
1,032.34	13.7	934.98	13.8	1,331.94	15.0	1,201.51	14.9	1,395.36	22.2	1,345.16	22.5
242.37	3.2	197.22	2.9	254.05	2.9	207.96	2.6	69.57	1.1	56.31	0.9
506.27	6.7	424.00	6.3	631.29	6.0	452.82	5.6	263.49	4.2	237.06	4.0
4,054.23	53.8	3,678.09	54.4	4,816.84	54.1	4,379.82	54.3	3,754.58	59.8	3,586.92	60.0
3,480.58	46.2	3,084.86	45.6	4,079.64	45.9	3,679.58	45.7	2,519.16	40.2	2,389.91	40.0
4,567.57	60.6	4,158.36	61.5	5,440.86	61.2	4,980.14	61.8	3,907.30	62.3	3,730.37	62.4
7,534.81	100.0	6,762.96	100.0	8,896.47	100.0	8,059.41	100.0	6,273.74	100.0	5,976.82	100.0
1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS	
4.27		4.44		4.43		4.58		5.25		5.40	
3.25		3.29		3.32		3.38		3.39		3.46	
3.63		3.76		3.87		4.03		4.99		4.85	
2.05		2.12		2.11		2.19		2.29		2.33	
5.63		3.77		5.09		3.49		2.92		2.34	
18.32		12.43		16.90		11.79		9.89		8.11	
3.26		2.15		3.02		2.07		1.96		1.65	
13.94		9.53		13.39		9.46		10.29		8.98	
20.80		15.46		19.59		14.74		13.21		10.77	
94.70		96.52		96.29		96.90		97.95		98.41	
93.92		96.59		94.46		96.96		96.60		97.08	
140.21		129.20		31.58		29.44		14.22		13.87	
4.56		2.77		0.96		0.61		0.28		0.23	
1,192.22		900.03		1,386.81		1,082.98		822.36		761.94	
250.63		258.87		442.06		441.46		749.17		559.48	
1.11		1.13		1.17		1.18		1.37		1.29	
6.85		7.52		9.86		10.39		22.30		16.97	
34.45		34.12		34.93		34.71		41.61		39.89	
0.30		0.30		0.33		0.33		0.55		0.56	
0.16		0.17		0.14		0.14		0.12		0.16	
0.30		0.31		0.34		0.34		0.58		0.59	
530.84		590.31		450.34		472.87		233.94		209.67	
115.49		96.26		104.12		90.13		56.94		56.64	
11.26		13.52		11.27		13.27		12.80		12.72	
1.18		1.18		1.14		1.14		1.05		1.11	
2.18		2.31		2.06		2.17		2.04		1.79	
2.82		3.68		2.48		3.00		1.80		1.48	
1.19		1.20		1.17		1.16		1.09		1.15	
13.94		9.57		13.39		9.46		10.29		8.98	
3.59		3.71		3.80		3.94		4.83		4.71	
33.50		33.80		32.19		32.44		19.33		19.41	
46.28		47.17		47.17		46.02		55.87		55.83	
7.20		7.23		6.48		6.47		2.23		2.54	
39.23		41.21		41.42		43.20		74.03		75.35	
19.25		19.29		18.11		18.15		11.59		11.60	
13.03		13.14		12.78		12.90		13.05		12.94	
110,676.00		105,291.66		180,805.06		173,464.94		374,250.99		361,955.46	
5,684,776.44		5,190,440.41		7,297,863.02		6,725,012.43		6,932,422.51		6,802,402.33	

CARRIER GROUP A

General Freight Carriers With Revenues Less Than $5 Million Annually

The Group Overall

Again, in 1986, the small general freight carriers underperformed their larger counterparts in the critical area of operating performance and profitability. While other groups showed gains in tonnage and mileage, the small general freight carriers' tonnage declined, and mileage grew only fractionally. Revenues grew for medium and large general freight carriers; it fell for the small firms.

The small general freight carriers managed to improve profitability significantly in terms of percentage change between 1985 and 1986, a much needed step in the right direction. However, this improvement was from very weak margins the year earlier, thus is somewhat misleading. Their 1986 margins still have room for improvement.

The strength of the small general freight carrier group is in their liquidity position, which is very strong. Their leverage position is also fairly good, which coupled with liquidity, helps minimize their vulnerability to delinquency in debt payment. Interest expenses, though, consume a sizable one-third of operating income.

A real concern for the small general freight carrier is the age of equipment. The groups' fleet was considerably depreciated in 1985, and virtually no investment was made in 1986, thus aging the fleet further. This cannot go on indefinitely.

The Regions

All data aggregations invariably consist of subgroups or individual entries which greatly exceed or fall below average performance. Such is the case within Group A, when broken down into regions, and assuredly among the individual firms within any region. Within Group A, two regions have very notable performance — New England, and the Middlewestern — which on a combined evaluation of profitability, liquidity and leverage, rank them among the upper quartile (best) of all groups within the interstate for-hire industry. The remaining seven regions rank within the middle quartile, and none of the regions, within the lower quartile. Even in those regions which do fall in the lower quartile, care must be used to judge how individual carriers perform, and not lump them inappropriately with average results.

Operating Performance and Profitability

Declining tonnage and revenues were prevalent among the regional groupings of small general freight carriers. Only the Middlewestern and Mid Atlantic managed to improve both tonnage and revenues from 1985 to 1986. New England improved revenues despite tonnage slipping slightly, and Northwestern carriers saw revenues fall even though tonnage increased. Otherwise, the remaining five regions experienced declining revenues and tonnage.

The changes in profitability among the regions was generally favorable — six of the nine regions improving net profits. In two of these six (Central and Middlewestern) profits were generated in 1986 compared to losses in 1985. The Middlewestern region, in particular, went from a net loss margin of (0.02)% in 1985 to a 1986 net profit margin of 4.11%. The Southern region more than doubled profits, and other healthy profit gains were registered in the Pacific (up 69%) and New England (up 72%) regions.

The three regions suffering profit set-backs all had also shown declining revenues, and couldn't pare back expenses fast enough.

Operating ratios among the small general freight carrier regions, although improved in most cases, remain on the (unfavorable) high side. Only two regions (Southern and Middlewestern) managed operating ratios in the 95's; all others were higher. The Southwestern region was the only one with operating losses, an operating ratio of 100.27.

The Southwestern region, similarly, was the only one with a net loss within Group A. Two other regions (Central and Northwest) were real thin in profit margin — less than 1 percent. On the positive side, New England registered a 7.82 percent profit margin — best in the industry — and Middlewestern, a 4.11%, third best in the industry. Otherwise, the Group A regions' profit margins were in the 2% range.

Returns on equity and (transportation) investment showed wide ranges between the regions. Return on equity varied from a negative 3.07% in the Southwest to a 19.48% return in New England. Also high on the scale was the Middlewestern region's 17.34% ROE.

The Rocky Mountain region scored the industry's best return on investment, a 28.9% return. Other good investment returns in the group were the Middlewestern's 16.5% and Southern's 15.5%. Poor returns on investment were noted in New England, the Central, Southwestern and Pacific regions.

All told, profits generally improved among the small general freight carriers within their regional groupings, but remain on the low side.

Liquidity

The strength of the small general freight carriers lies in their liquidity with a group average current ratio of 1.83 — far in excess of the group averages elsewhere in the industry. This gives them strong working capital, able to fund a substantial number of days of cash operating expenses. Cash throw, another liquidity measure, is much weaker, however, since it's level is predicated on net income, shown previously to be low among these firms.

Among the regions, current ratios are very strong — 1.5 or greater — in six of the nine regions. The Pacific region has the industry's highest current ratio at 2.71; New England's 2.07 is the industry's second highest. Only the Rocky Mountain region shows an inadequate current ratio — 0.91 — with current liabilities exceeding current assets. The Northwestern region is also somewhat weak, with a 1.08 current ratio.

The excess of current assets over current liabilities is working capital, money generally used to fund day to day operating expenses. The working capital generated in the Pacific region could fund almost 135 days of cash operating expenses, an extremely high level of coverage. Coverage is also very good in New England (59 days), and in five of the other region (between 30 and 40 days). Only in the Rocky Mountain and Northwestern regions is working capital coverage weak.

Leverage

Funded debt levels are generally very sound among the Group A regions. In five of the regions, funded debt to equity is in the 0.2 range, favorably low on the leverage scale within trucking. Even the group's

highest debt to equity level — Northwestern's 0.60 — is not excessive across the spectrum of carriers.

With generally low to moderate debt levels, the somewhat low levels of cash throw generated from operations becomes more than adequate to cover debt related liabilities. Cash throw to funded debt is a ratio of 75, indicating that were all cash throw applied to only debt retirement, the small general freight carriers could be debt free in about a year and a half. This is a fairly good "bail out" period in trucking, and much better than a few years ago. In best position, with potential pay offs within a year, are the Rocky Mountain, Middlewestern and New England regions. On the other hand, 3 regions have 2 year pay-off prospects — Pacific, Central, and Southwestern.

Although debt levels are not excessive per se among the small general freight carriers, interest expenses still remain a fairly large drain on gross and net revenues. Almost 1 out of every hundred dollars of revenues goes to interest, and 40% of operating income is consumed by interest obligations.. The most significant burden is in the Southwestern and Central regions, where the interest expense is more than all operating income. Interest is also high, almost half all operating income, in three other regions — Northwestern, New England, and Pacific. The minimum interest burden in Group A is the Middlewestern region — 0.68% of revenues and 14.23% of operating income.

The small general freight carrier has been able to reduce debt levels apparently by minimizing equipment purchases over the last number of years. Between 1985 and 1986, they increased their operating property expenditures only 0.9%, but added 4.4% to depreciation reserve. Resultingly, their fleet continues to age. At 65.8% depreciated, their equipment is extremely old. This condition is prevalent in most of the individual regions as well, with the equipment age ranging from a low of 59.6% depreciated in the Southern region to a high of 73.5% depreciated in the Rocky Mountain. In all cases, equipment appears to be quite old.

There was little change in the use of purchased transportation among the small general freight carriers, expending about 19.5% of revenues in both 1985 and 1986. A wide range exists among the regions, however, from a low of 2.8% in New England to a high of almost 30 percent in the Northwest.

In summary, the small general freight carriers managed some much needed financial improvements in 1986, although they were not able to achieve gains in levels of business, The key was keeping overall expenses down further than the loss of revenues, thereby improving the bottom line. Profit improvements were strong, but margins still remain weak. The group is extremely liquid and not heavily leveraged, but with a very old fleet. Replacing the fleet is a necessity, especially since the group is not very heavy into the use of owner operators. This will be "costly" in terms of a deterioration of some critical financial measures, especially if the group continues to lose business to larger counterparts.

Performance in 1987

The small general freight carriers, most in need of continuing the profit gains from 1986, are finding 1987 to be a most frustrating year. Through six months, they have managed virtually no growth in revenues, although mileage has risen 5% and tonnage almost 3%. The worst aspect, however, is that operating expenses are up over 4%, producing a three-quarters reduction in net profits. Their six months operating ratio, at 99.17, is hovering around break-even, as is their net profit margin (0.91%).

Results among other medium and larger general freight carrier groups are also off in 1987, but not as severely as for the small carriers. The apparent inability of the small carriers as a group to gain market share and/or sustain the generation of adequate profits is of concern. It was not expected that the free market changes brought by the Motor Carrier Act of 1980 would have so adversely affected these small firms, but actual results appear to contradict expectations. Nevertheless, the small firms have shown a strong resiliency, and a future pick up in business levels, absent the severe rate discounting encountered in 1987, can lead to significant bottom line improvements.

Carrier Group A

REGION NUMBER	1				2				3				4			
REGION	NEW ENGLAND				MIDDLE ATLANTIC				CENTRAL				SOUTHERN			
NUMBER OF CARRIERS	18				39				52				32			
YEAR	1986		1985		1986		1985		1986		1985		1986		1985	
INCOME STATEMENT	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA																
GROSS REVENUES	47.74	100.0	45.84	100.0	101.75	100.0	99.78	100.0	132.99	100.0	151.75	100.0	97.25	100.0	103.62	100.0
DEPRECIATION	2.58	5.4	2.37	5.2	4.70	4.6	4.90	4.9	4.29	3.2	4.95	3.3	5.27	5.4	5.39	5.2
PURCHASED TRANSPORTATION	1.32	2.8	1.31	2.9	16.08	15.8	14.67	14.7	36.35	27.3	42.03	27.7	14.05	14.4	14.58	14.1
TOTAL OPERATING EXPENSES	47.01	98.5	44.72	97.5	99.07	97.4	97.90	98.1	131.94	99.2	150.43	99.1	92.72	95.3	100.70	97.2
NET CARRIER OPERATING INCOME	0.73	1.5	1.13	2.5	2.68	2.6	1.87	1.9	1.04	0.8	1.32	0.9	4.53	4.7	2.92	2.8
INTEREST EXPENSE	0.35	0.7	0.34	0.7	0.96	0.9	0.84	0.8	1.13	0.9	1.37	0.9	1.19	1.2	1.10	1.1
NET INCOME BEFORE TAXES	4.12	8.6	2.44	5.3	2.70	2.7	2.29	2.3	0.16	0.1	0.53	0.4	3.63	3.7	2.02	1.9
INCOME TAXES-CURRENT	0.32	0.7	0.31	0.7	0.60	0.6	0.62	0.6	0.26	0.2	0.30	0.2	0.70	0.7	0.58	0.6
DEFERRED INCOME TAXES	0.06	0.1	0.03	0.1	0.03-	0.0	0.15-	0.1-	0.09-	0.1-	0.10	0.1	0.04	0.0	0.15	0.1
OTHER ADJUSTMENTS TO INCOME	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.17	0.1	0.19-	0.1-	0.00	0.0	0.00	0.0
INCOME BEFORE EXTRA ITEMS	3.73	7.8	2.10	4.6	2.13	2.1	1.81	1.8	0.16	0.1	0.06-	0.0	2.90	3.0	1.29	1.2
EXTRAORDINARY ITEMS	0.00	0.0	0.07	0.2	0.02-	0.0	0.01-	0.0	0.00	0.0	0.00	0.0	0.01-	0.0	0.15-	0.1-
NET INCOME AFTER TAXES	3.73	7.8	2.17	4.7	2.11	2.1	1.81	1.8	0.16	0.1	0.07-	0.0	2.89	3.0	1.14	1.1
BALANCE SHEET																
ASSETS																
CASH	5.12	17.1	3.49	12.1	6.08	13.7	6.98	15.8	6.42	10.7	7.18	11.3	6.49	13.8	6.45	13.4
RECEIVABLES FROM AFFILIATES	0.06	0.2	0.09	0.3	1.75	3.9	1.46	3.3	3.34	5.6	4.20	6.6	2.99	6.3	2.41	5.0
NOTES & ACCOUNTS RECEIVABLE	7.47	25.0	6.35	22.0	11.47	25.9	11.44	25.8	21.58	36.1	22.91	35.9	10.44	22.1	11.06	23.0
PREPAID EXPENSES	0.81	2.7	0.96	3.3	1.66	3.7	1.43	3.2	2.67	4.5	2.06	3.2	1.53	3.2	1.18	2.5
MATERIALS & SUPPLIES	0.43	1.4	0.45	1.5	0.43	1.0	0.45	1.0	0.34	0.6	0.44	0.7	0.43	0.9	0.54	1.1
OTHER CURRENT ASSETS	0.02-	0.1-	0.04-	0.1-	0.11	0.3	0.04	0.1	5.60	9.4	4.99	7.8	0.05	0.1	0.05	0.1
TOTAL CURRENT ASSETS	13.87	46.4	11.30	39.2	21.49	48.5	21.82	49.2	39.94	66.8	41.77	65.5	21.93	46.5	21.70	45.2
CARRIER OPERATING PROPERTY	38.39	128.4	36.27	125.9	51.60	116.3	48.89	110.3	43.93	73.5	46.04	72.1	50.53	107.1	54.22	112.9
RESERVE FOR DEPRECIATION	22.96	76.8	20.68	71.8	34.41	77.6	31.64	71.4	30.83	51.6	31.29	49.0	30.09	63.8	31.95	66.5
CARRIER OPERATING PROPERTY NET	15.42	51.6	15.59	54.1	17.20	38.8	17.25	38.9	13.10	21.9	14.74	23.1	20.44	43.3	22.27	46.4
TOTAL TANGIBLE PROPERTY	15.45	51.7	16.87	58.6	17.58	39.6	17.38	39.2	14.24	23.8	16.05	25.2	20.56	43.6	22.39	46.6
INTANGIBLES	0.01	0.0	0.02	0.1	0.67	1.5	0.66	1.5	2.32	3.9	2.62	4.1	1.09	2.3	0.15	0.3
OTHER ASSETS	0.55	1.8	0.62	2.1	4.61	10.4	4.48	10.1	3.25	5.4	3.37	5.3	3.61	7.6	3.78	7.9
TOTAL ASSETS	29.88	100.0	28.81	100.0	44.35	100.0	44.34	100.0	59.76	100.0	63.82	100.0	47.19	100.0	48.02	100.0
LIABILITIES & EQUITY																
PAYABLES TO AFFILIATES	0.10	0.3	0.01	0.0	0.38	0.9	0.35	0.8	2.06	3.4	2.25	3.5	1.04	2.2	1.40	2.9
NOTES PAYABLE	0.22	0.8	0.71	2.5	0.95	2.1	0.70	1.6	3.66	6.1	3.41	5.3	1.05	2.2	0.98	2.0
ACCOUNTS PAYABLE	2.07	6.9	2.47	8.6	6.21	14.0	6.47	14.6	12.47	20.9	14.37	22.5	4.87	10.3	5.24	10.9
MISC PAYABLES & ACCRUALS	0.63	2.1	1.44	5.0	0.48	1.1	0.62	1.4	1.44	2.4	1.29	2.0	0.67	1.4	0.48	1.0
TAXES PAYABLE	0.22	0.8	0.18	0.6	0.55	1.2	0.50	1.1	1.46	2.4	1.45	2.3	0.79	1.7	0.62	1.3
FUNDED DEBT DUE WITHIN ONE YEAR	1.60	5.4	1.07	3.7	2.50	5.6	2.45	5.5	2.29	3.8	2.82	4.4	3.65	7.7	2.94	6.1
OTHER CURRENT LIABILITIES	1.87	6.2	0.83	2.9	1.96	4.4	2.08	4.7	3.15	5.3	3.64	5.7	1.01	2.1	0.92	1.9
TOTAL CURRENT LIABILITIES	6.71	22.5	6.71	23.3	13.03	29.4	13.18	29.7	26.54	44.4	29.23	45.8	13.09	27.7	12.59	26.2
ADVANCES PAYABLE	0.03	0.1	0.65	2.3	0.27	0.6	0.17	0.4	1.40	2.3	0.47	0.7	1.10	2.3	0.40	0.8
FUNDED DEBT DUE AFTER ONE YEAR	3.77	12.6	3.71	12.9	7.72	17.4	5.89	13.3	5.16	8.6	6.39	10.0	7.84	16.6	6.78	14.1
TOTAL LONG TERM DEBT	3.80	12.7	4.36	15.1	7.99	18.0	6.06	13.7	6.56	11.0	6.86	10.8	8.94	18.9	7.18	15.0
TOTAL FUNDED DEBT	5.37	18.0	4.78	16.6	10.22	23.0	8.34	18.8	7.45	12.5	9.22	14.4	11.49	24.3	9.72	20.2
RESERVES & EST LIABILITIES	0.00	0.0	0.00	0.0	0.12	0.3	0.07	0.2	1.07	1.8	0.55	0.9	0.18	0.4	0.07	0.2
ACCUM DEFERRED TAX CREDITS	0.21	0.7	0.12	0.4	0.65	1.5	0.72	1.6	0.04	0.1	0.82	1.3	0.10	0.2	0.77	1.6
TOTAL LIABILITIES	10.73	35.9	11.19	38.9	21.78	49.1	20.02	45.2	34.20	57.2	37.45	58.7	22.31	47.3	20.61	42.9
STOCKHOLDER'S EQUITY	19.15	64.1	17.61	61.1	22.57	50.9	24.32	54.8	25.56	42.8	26.37	41.3	24.88	52.7	27.41	57.1
TOTAL CAPITAL	22.96	76.8	21.97	76.3	30.56	68.9	30.38	68.5	32.11	53.7	33.23	52.1	33.82	71.7	34.59	72.0
TOTAL LIABILITIES & EQUITY	29.88	100.0	28.81	100.0	44.35	100.0	44.34	100.0	59.76	100.0	63.82	100.0	47.19	100.0	48.02	100.0

ANALYTICAL DATA	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS
OPERATING PERFORMANCE								
GROSS REVENUES TO EQUITY	2.49	2.60	4.51	4.10	5.20	5.76	3.91	3.78
GROSS REVENUES TO TOTAL CAPITAL	2.08	2.09	3.33	3.28	4.14	4.57	2.88	3.00
GROSS REVENUES TO NET CARR OPER PROP	3.10	2.94	5.92	5.78	10.15	10.29	4.76	4.65
GROSS REVENUES TO CARR OPER PROP (COST)	1.24	1.26	1.97	2.04	3.03	3.30	1.92	1.91
PRE-TAX INCOME TO GROSS REVENUES %	8.62	5.32	2.66	2.29	0.12	0.35	3.74	1.95
PRE-TAX INCOME TO TOTAL CAPITAL, %	17.93	11.08	8.84	7.52	0.51	1.60	10.74	5.84
AFTER TAX INCOME TO GROSS REVENUES %	7.82	4.57	2.09	1.82	0.12	0.04-	2.98	1.24
AFTER TAX INCOME TO EQUITY, %	19.48	11.90	9.44	7.45	0.63	0.24-	11.66	4.70
RETURN ON TRANSPORTATION INVESTMENT, %	3.23	5.59	10.45	7.24	3.94	4.82	15.46	9.30
EXPENSE RATIO %	99.21	98.29	98.31	98.96	100.07	100.03	96.57	98.24
OPERATING RATIO %	98.47	97.54	97.36	98.12	99.21	99.13	95.34	97.18
AVERAGE REVENUE PER CARRIER	2.65	2.55	2.61	2.56	2.56	2.92	3.04	3.24
NET INCOME PER CARRIER	0.21	0.12	0.05	0.05	0.00	0.00	0.09	0.04
LIQUIDITY								
CASH THROW OFF, DOLLARS	6.37	4.50	6.80	6.56	4.20	5.18	8.20	6.84
WORKING CAPITAL, DOLLARS	7.16	4.59	8.47	8.64	13.40	12.54	8.84	9.11
CURRENT RATIO	2.07	1.68	1.65	1.66	1.51	1.43	1.68	1.72
DAYS CASH OPER EXP IN WORK CAP	58.73	39.41	32.68	33.88	38.25	31.40	36.68	34.81
AVERAGE DAYS COLLECTION PERIOD	57.12	50.57	41.13	41.86	59.24	55.10	39.19	38.96
LEVERAGE & DEBT SERVICE								
FUNDED DEBT TO EQUITY	0.28	0.27	0.45	0.34	0.29	0.35	0.46	0.35
NET DEBT TO EQUITY	0.18-	0.05-	0.03-	0.11-	0.32-	0.23-	0.04-	0.06-
FUNDED DEBT TO TANGIBLE NET WORTH	0.28	0.27	0.47	0.35	0.32	0.39	0.48	0.36
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	398.60	420.87	271.98	267.93	183.15	183.40	224.82	232.60
CASH THROW TO TOTAL FUNDED DEBT %	118.60	94.15	66.54	78.67	56.33	56.18	71.41	70.31
INTEREST TO TOTAL FUNDED DEBT %	6.53	7.16	9.43	10.05	15.20	14.81	10.34	11.30
CARRIER PROPERTY (NET) TO EQUITY	0.81	0.89	0.76	0.71	0.51	0.56	0.82	0.81
ADDITIONAL RATIOS								
RECEIVABLES TO PAYABLES	3.25	2.00	1.60	1.60	1.34	1.29	1.76	1.78
DEPREC TO DEBT DUE IN ONE YEAR	1.61	2.22	1.88	2.00	1.87	1.75	1.44	1.84
TOTAL TANG PROP TO EQUITY	0.81	0.96	0.78	0.71	0.56	0.61	0.83	0.82
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	19.48	11.90	9.44	7.45	0.63	0.24-	11.66	4.70
GROSS REVENUES TO TOTAL TANG PROP	3.09	2.72	5.79	5.74	9.34	9.45	4.73	4.63
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)								
TOTAL PAYROLL TO REVENUES %	41.63	42.28	29.10	29.53	25.47	26.34	30.24	30.66
TOTAL PAYROLL (WPT) TO REVENUES %	44.19	44.81	44.74	43.86	51.60	50.64	44.10	43.67
CARGO HANDLER COMPEN TO REVENUES %	4.30	4.91	2.27	2.44	1.55	1.49	2.21	2.03
LINEHAUL EXPENSES TO REVENUES %	4.33	4.35	37.47	37.79	54.75	55.22	46.85	48.23
REVENUE PER TON-MILE, CENTS	49.26	52.51	16.29	17.66	13.39	13.56	12.59	14.23
AVERAGE LOAD, TONS	4.79	4.47	11.01	10.31	11.56	12.06	11.19	10.38
TOTAL TONS, THOUS	480.72	489.19	3,572.89	3,336.25	3,863.26	3,989.63	2,945.05	3,126.81
TOTAL MILES, THOUS	15,394.43	14,806.78	49,593.51	48,997.53	64,106.20	64,970.02	57,234.98	59,809.16

5 NORTHWESTERN 11				6 MIDDLEWESTERN 19				7 SOUTHWESTERN 10				8 ROCKY MOUNTAIN 12				9 PACIFIC 53				TOTAL ALL REGIONS 246			
1986		1985		1986		1985		1986		1985		1986		1985		1986		1985		1986		1985	
$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
31.51	100.0	33.74	100.0	54.25	100.0	52.23	100.0	33.79	100.0	36.45	100.0	30.26	100.0	30.71	100.0	137.04	100.0	145.74	100.0	666.56	100.0	699.86	100.0
1.40	4.4	1.10	3.3	3.03	5.6	2.91	5.6	2.23	6.6	2.13	5.8	1.53	5.1	1.53	5.0	4.26	3.1	4.82	3.3	29.30	4.4	30.11	4.3
9.38	29.8	10.88	32.3	10.27	18.9	10.29	19.7	3.24	9.6	3.63	10.0	5.25	17.3	4.69	15.3	34.94	25.5	34.46	23.6	130.88	19.6	136.55	19.5
30.94	98.2	33.07	98.0	51.65	95.2	52.54	100.6	33.88	100.3	36.15	99.2	29.27	96.7	29.60	96.4	134.00	97.8	145.78	100.0	650.48	97.6	690.90	98.7
0.57	1.8	0.67	2.0	2.60	4.8	0.30-	0.6-	0.09-	0.3-	0.30	0.8	0.99	3.3	1.10	3.6	3.03	2.2	0.04-	0.0	16.08	2.4	8.96	1.3
0.26	0.9	0.34	1.0	0.37	0.7	0.26	0.5	0.41	1.2	0.41	1.1	0.31	1.0	0.34	1.1	1.39	1.0	1.65	1.1	6.40	1.0	8.67	1.0
0.49	1.6	0.61	1.8	3.08	5.7	0.12	0.2	0.44-	1.3-	0.01-	0.0	0.86	2.9	1.02	3.3	6.23	4.6	3.69	2.5	20.86	3.1	12.71	1.8
0.17	0.5	0.07	0.2	0.81	1.5	0.18	0.3	0.02	0.1	0.05-	0.1-	0.04	0.1	0.13	0.4	2.21	1.6	1.32	0.9	5.13	0.8	3.46	0.5
0.03	0.1	0.03	0.1	0.04	0.1	0.05-	0.1-	0.18-	0.5-	0.08-	0.2-	0.00	0.0	0.00	0.0	0.04-	0.1-	0.02	0.0	0.01	0.0	0.11-	0.0
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.01-	0.0	0.01	0.0	0.18	0.0
0.29	0.9	0.51	1.5	2.23	4.1	0.01-	0.0	0.28-	0.8-	0.11	0.3	0.83	2.8	0.92	3.0	3.99	2.9	2.36	1.6	16.00	2.4	9.04	1.3
0.06	0.2	0.11-	0.3-	0.00	0.0	0.00	0.0	0.00	0.0	0.02-	0.1-	0.04-	0.1-	0.01	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.22-	0.0
0.36	1.1	0.40	1.2	2.23	4.1	0.01-	0.0	0.28-	0.8-	0.09	0.2	0.80	2.6	0.93	3.0	3.99	2.9	2.36	1.6	15.99	2.4	8.82	1.3
1.34	14.6	0.85	8.1	1.98	7.2	1.96	7.4	2.69	17.0	2.96	18.9	1.53	11.5	1.73	13.2	15.63	14.4	12.91	12.5	47.28	13.3	44.51	12.6
0.00	0.0	1.40	13.3	5.46	19.9	5.05	19.1	0.25	1.6	0.27	1.7	0.00	0.0	0.02	0.2	31.38	28.9	27.44	26.6	45.21	12.7	42.36	12.0
2.57	27.9	2.82	26.7	4.77	17.4	4.09	15.5	2.86	18.1	3.15	20.1	2.62	19.8	2.46	18.7	23.85	22.0	25.26	24.4	87.63	24.7	89.55	25.3
0.52	5.6	0.48	4.6	0.62	2.3	0.60	2.3	0.62	3.9	0.56	3.6	0.29	2.2	0.26	2.0	4.16	3.8	3.88	3.8	12.88	3.6	11.41	3.2
0.04	0.5	0.08	0.7	0.17	0.6	0.13	0.5	0.11	0.7	0.10	0.6	0.17	1.3	0.17	1.3	0.68	0.6	0.70	0.7	2.80	0.8	3.06	0.9
0.01	0.1	0.07	0.7	0.01	0.0	0.48	1.7	0.01	0.1	0.00	0.0	0.01	0.0	0.01	0.1	0.56	0.5	1.03	1.0	6.33	1.8	6.61	1.9
4.49	48.8	5.71	54.1	13.00	47.5	12.30	46.6	6.53	41.3	7.04	45.0	4.62	34.9	4.65	35.4	76.25	70.3	71.22	68.9	202.13	56.9	197.50	55.8
12.03	130.8	10.06	95.1	34.58	126.4	34.14	129.4	25.55	161.5	24.06	154.0	14.74	111.5	14.48	110.3	55.07	50.8	55.19	53.4	326.42	91.9	323.36	91.3
7.68	83.4	5.55	52.5	21.81	79.7	21.55	81.7	17.40	110.0	15.76	100.9	10.83	81.9	9.93	75.6	38.70	35.7	37.34	36.1	214.70	60.4	205.72	58.1
4.36	47.4	4.50	42.6	12.77	46.7	12.59	47.7	8.15	51.5	8.30	53.1	3.91	29.6	4.55	34.7	16.37	15.1	17.85	17.3	111.73	31.5	117.64	33.2
4.36	47.4	4.50	42.6	13.04	47.7	12.82	48.8	8.15	51.5	8.30	53.1	3.92	29.6	4.55	34.7	27.26	25.2	26.76	25.9	124.58	35.1	129.64	36.6
0.03	0.3	0.02	0.2	0.16	0.6	0.08	0.3	0.26	1.7	0.32	2.0	0.20	1.5	0.21	1.6	0.60	0.5	0.61	0.6	5.34	1.5	4.69	1.3
0.33	3.5	0.33	3.1	1.16	4.2	1.18	4.5	0.87	5.5	0.02-	0.2-	4.49	33.9	3.72	28.3	4.26	3.9	4.77	4.6	23.13	6.5	22.22	6.3
9.20	100.0	10.57	100.0	27.36	100.0	26.38	100.0	15.82	100.0	15.63	100.0	13.22	100.0	13.13	100.0	108.39	100.0	103.36	100.0	355.18	100.0	354.05	100.0
0.45	4.9	0.26	2.4	1.62	5.9	2.07	7.8	0.48	3.1	0.47-	3.0-	1.34	10.1	1.26	9.6	1.94	1.8	1.25	1.2	9.42	2.7	8.37	2.4
0.95	10.3	0.94	8.9	2.47	9.0	1.65	6.3	0.01	0.1	0.03	0.2	0.87	6.6	0.65	5.0	1.42	1.3	1.29	1.2	11.60	3.3	10.36	2.9
1.30	14.1	1.59	15.1	2.83	10.3	3.40	12.9	1.20	7.6	1.31	8.4	1.16	8.7	1.50	11.4	11.08	10.2	12.34	11.9	43.19	12.2	48.69	13.8
0.23	2.4	0.10	1.8	0.43	1.6	0.41	1.6	0.26	1.6	0.30	1.9	0.28	2.1	0.33	2.5	1.57	1.4	1.34	1.3	5.99	1.7	6.40	1.8
0.16	1.8	0.06	0.5	1.09	4.0	0.72	2.7	0.13	0.8	0.28	1.8	0.33	2.5	0.28	2.2	2.61	2.4	0.70	0.7	7.35	2.1	4.79	1.4
0.55	5.9	0.75	7.1	0.99	3.6	0.58	2.2	1.37	8.7	2.19	14.0	0.56	4.3	0.66	5.0	3.71	3.4	3.87	3.7	17.22	4.8	17.33	4.9
0.54	5.8	0.40	3.8	0.67	2.4	0.61	2.3	0.34	2.1	0.24	1.6	0.56	4.2	0.47	3.6	5.79	5.3	4.37	4.2	15.67	4.5	13.57	3.8
4.17	45.3	4.18	39.5	10.29	36.9	9.43	35.8	3.79	24.0	3.87	24.7	5.10	38.6	5.15	39.2	28.11	25.9	25.16	24.3	110.63	31.1	109.50	30.9
0.22	2.4	0.31	2.9	1.69	6.2	1.76	6.7	0.14	0.9	0.05	0.3	0.14	1.0	0.27	2.1	1.19	1.1	1.32	1.3	6.18	1.7	5.40	1.5
1.43	15.6	1.88	17.8	2.64	9.7	2.95	11.2	2.58	16.3	2.20	14.1	0.83	6.3	0.82	6.2	10.38	9.6	9.85	9.5	42.35	11.9	40.48	11.4
1.65	17.9	2.19	20.7	4.33	15.8	4.71	17.9	2.72	17.2	2.25	14.4	0.98	7.3	1.09	8.3	11.56	10.7	11.16	10.8	48.53	13.7	45.87	13.0
1.98	21.5	2.63	24.9	3.63	13.3	3.53	13.4	3.95	25.0	4.39	28.1	1.39	10.5	1.48	11.3	14.09	13.0	13.71	13.3	59.57	16.8	57.80	16.3
0.02-	0.2-	0.05	0.5	0.10	0.4	0.08	0.3	0.00	0.0	0.00	0.0	0.01	0.1	0.25	1.9	0.70	0.8	0.81	0.8	2.15	0.6	1.88	0.5
0.11	1.2	0.08	0.8	0.02-	0.1-	0.05-	0.2-	0.21	1.3	0.30	1.9	0.06	0.4	0.08	0.6	0.52	0.5	0.42	0.4	1.89	0.5	3.25	0.9
5.91	64.3	6.50	61.5	14.50	53.0	14.17	53.7	6.74	42.6	6.42	41.1	6.13	46.4	6.57	50.1	40.89	37.7	37.56	36.3	163.20	45.9	160.50	45.3
3.29	35.7	4.07	38.5	12.86	47.0	12.21	46.3	9.08	57.4	9.21	58.9	7.09	53.6	6.56	49.9	67.50	62.3	65.79	63.7	191.98	54.1	193.55	54.7
4.94	53.7	5.26	50.2	17.20	62.9	16.92	64.1	11.81	74.6	11.46	73.3	8.05	60.9	7.65	58.2	79.07	72.9	76.96	74.5	240.51	67.7	239.42	67.6
9.20	100.0	10.57	100.0	27.36	100.0	26.38	100.0	15.82	100.0	15.63	100.0	13.22	100.0	13.13	100.0	108.39	100.0	103.36	100.0	355.18	100.0	354.05	100.0
1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS	
9.59		8.29		4.22		4.28		3.72		3.96		4.27		4.68		2.03		2.22		3.47		3.82	
6.38		5.39		3.15		3.09		2.86		3.18		3.76		4.02		1.73		1.89		2.77		2.92	
7.23		7.49		4.25		4.15		4.15		4.39		7.73		6.76		8.37		8.17		5.97		5.95	
2.62		3.35		1.57		1.53		1.32		1.51		2.05		2.12		2.49		2.64		2.04		2.16	
1.56		1.82		5.68		0.23		1.30-		0.02-		2.90		3.33		4.55		2.53		3.13		1.82	
9.97		9.82		17.92		0.70		3.72-		0.06-		10.90		13.38		7.88		4.79		8.67		5.31	
0.93		1.52		4.11		0.02-		0.82-		0.30		2.76		3.01		2.91		1.62		2.40		1.29	
8.88		12.63		17.34		0.08-		3.07-		1.20		11.78		14.06		5.92		3.59		8.33		4.67	
12.14		11.02		16.54		1.97-		0.85-		2.64		28.92		27.28		4.70		0.06-		7.91		4.36	
99.10		99.04		95.90		101.11		101.48		100.30		97.73		97.53		98.80		101.16		98.55		99.67	
98.20		98.03		95.22		100.58		100.27		99.17		98.72		96.40		97.79		100.03		97.59		98.72	
2.86		3.07		2.86		2.75		3.38		3.65		2.52		2.56		2.59		2.75		2.71		2.84	
0.03		0.05		0.12		0.00		0.03-		0.01		0.07		0.08		0.08		0.04		0.07		0.04	
1.72		1.84		5.31		2.85		1.77		2.18		2.37		2.42		8.29		7.19		45.03		39.36	
0.32		1.53		2.92		2.87		2.73		3.17		0.46-		0.50-		48.14		46.05		91.49		88.00	
1.08		1.37		1.29		1.30		1.72		1.82		0.91		0.90		2.71		2.83		1.83		1.80	
3.94		17.48		21.79		21.01		31.48		33.84		6.31-		6.48-		134.76		118.76		53.58		48.48	
29.77		30.54		32.08		28.59		30.91		31.53		31.64		29.20		63.52		63.27		47.99		46.70	
0.60		0.65		0.28		0.29		0.43		0.48		0.20		0.23		0.21		0.21		0.31		0.30	
0.34		0.09		0.02-		0.01		0.02-		0.11-		0.18		0.20		0.56		0.55		0.26		0.25	
0.61		0.65		0.29		0.29		0.45		0.49		0.20		0.23		0.21		0.21		0.32		0.31	
315.85		219.62		536.61		494.10		129.40		99.56		421.66		365.70		223.08		185.83		261.51		227.18	
67.00		62.56		146.06		80.76		44.86		49.66		170.67		163.41		58.81		52.41		75.59		68.09	
14.38		13.00		10.28		7.84		10.31		9.42		22.09		23.26		9.89		12.04		10.74		11.54	
1.33		1.11		0.99		1.03		0.90		0.90		0.55		0.69		0.24		0.27		0.58		0.61	
1.14		1.12		0.90		0.81		2.36		2.35		1.29		1.15		1.91		1.85		1.60		1.52	
2.56		1.47		3.07		5.04		1.83		0.97		2.73		2.32		1.15		1.25		1.70		1.74	
1.33		1.11		1.01		1.05		0.90		0.90		0.56		0.69		0.40		0.41		0.65		0.67	
8.88		12.63		17.34		0.08-		3.07-		1.20		11.78		14.06		5.92		3.59		8.33		4.67	
7.23		7.49		4.16		4.07		4.14		4.39		7.73		6.74		5.02		5.45		5.35		5.40	
24.42		22.30		30.09		30.39		31.93		29.54		21.13		22.37		25.83		27.21		28.68		29.01	
49.99		53.26		44.36		46.97		41.81		40.53		40.66		39.79		50.06		50.67		46.73		46.73	
2.28		2.08		3.53		3.69		1.91		1.88		2.16		2.81		1.06		1.50		2.20		2.24	
61.62		63.64		45.09		49.79		57.00		54.55		57.99		56.26		63.67		65.13		47.71		49.21	
6.93		6.51		16.64		15.62		11.61		14.36		14.19		16.66		15.86		14.57		14.47		14.84	
15.88		19.02		11.86		12.90		12.07		12.81		10.58		9.09		12.45		14.44		11.40		11.69	
708.89		654.89		809.06		739.76		697.83		779.93		326.53		333.04		2,712.59		3,201.73		16,118.81		16,653.02	
16,879.49		16,764.88		20,022.25		19,391.44		17,953.61		15,880.97		13,383.42		13,300.47		35,418.31		36,461.00		269,986.19		288,382.25	

CARRIER GROUP B

General Freight Carriers with Revenues Between $5 Million and $25 Million Annually

Operating Performance and Profitability

Performance of the medium size general freight carriers in Group B in 1986 was generally lackluster, certainly compared to the other groups — both general freight and specialized carriers — in this Financial Analysis. The group experienced overall gains in tonnage, mileage and revenues from 1985 to 1986, but failed to translate them into any notable improvement in net income. Their profits, mediocre in 1985, remain that way in 1986, while their peers all managed improvements.

As was the case with Group A regional breakdowns, some performed better than others, and some lagged appreciably. As the Summary Scorecard Section indicates, two of the regional groups of medium size general freight carriers ranked among the industry's best in overall financial performance in 1986, the New England region and the Pacific. Both are repeat performers in that they also ranked among the industry's best in 1985. The New England region was among the industry's least leveraged and most liquid in 1986, ranking third best overall in both measures. The Pacific region was in the upper quartile in profitability and leverage. In addition, the Rocky Mountain region ranked very strongly in profitability (sixth best overall) and liquidity (fifth best), but was very weak in leverage.

On the other hand, numerous regions within Group B under-performed. In the lower quartile in overall measures of financial strength were the Middle Atlantic, Northwestern and Southwestern. These regions, too, were unfortunate repeat performers, ranking in the lower quartile also in 1985.

Turning to operating performance, tonnage increased 4.8% and mileage 6.2%, allowing revenues to improve 3.7% for medium size general freight carriers overall. Among the regions, all increased mileage, and seven of the nine increased tonnage and revenues. The Central region, with a minor drop in tonnage and revenues, and the Northwestern, with a large drop, were the exceptions. The largest revenue gain was in the Rocky Mountain, 22.2%, followed by the Pacific at 9.6%. Revenue improvements otherwise were much slimmer.

While Group B as a whole didn't fare very well in operating profit and net profit gains in 1986, five of the nine region did show gains; four showed decreases. The best gain in operating profits was New England's 64.9% increase, followed by the Rocky Mountain (39.7%), Pacific (39.0%), and Southern (36.4%). On the other hand, the Northwestern's slim operating profits in 1985 evaporated into operating losses in 1986, and the Central, Southwestern, and Middle Atlantic regions all showed lower operating income (by 28%, 12.5%, and 9.9%, respectively). In net profits, Rocky Mountain led the gainers (up 83%), followed by the Southern (up 44.7%) and Middlewestern (up 33.3%) regions. Largest losers were the Northwestern region (1985 profit to 1986 loss), Middle Atlantic (down 72%), Southwestern (down 55%) and Central (off 49%).

The operating ratio of Group B carriers was 96.82 in 1986, standing between that of Group A (97.59) and Group C's larger carriers (93.92). Within Group B, the range of operating ratios was between 94.24 (Rocky Mountain) to 100.27 (Northwestern) - worst in the industry. The Middlewestern region was also in the 94's, and three other regions in the 95's (Southern, Pacific, and Southwestern). The remaining regions were in the 97's to 99's.

The profit margin among medium size general freight carriers also showed a fairly wide spread. The best performers were the Midwest at 3.46%, followed by the Rocky Mountain's 3.33% and the Pacific's 3.10%. Three regions had profit margins less than one percent, and the Northwestern region had, as was mentioned earlier, a net loss.

The regional rankings within Group B were roughly the same for the other measures of profitability - return on equity and return on investment. In return on equity, the Midwestern region received top ranking with a 22.05% return, best in the industry in 1986. They were followed, in turn, by the Pacific, Rocky Mountain, and Southern regions (ROE's between 16.5% and 17.6%). The Northwestern again brought up the rear, as they did in return on investment. Best in this latter measure was the Pacific region (24% return), the Midwestern region (22% return), the Southern (19.5%) and Rocky Mountain (18.6%).

Thus, some of the profit performance among the medium size general freight carriers was quite good. Returns of over 15%, let alone above 20% are sound returns in any business, any year. However, other returns within these regions remain inadequate to poor. If they cannot be pulled up in the stronger business and earnings climate of 1986, they tend to signal very serious problems in the more depressed environment of 1987.

Liquidity

The liquidity of Group B's carriers is generally sound. However, it exhibited only modest changes in 1986, unlike that of most other groups. With their slim gain in operating profits, Group B carriers could only improve cash throw 4.2% from 1985 to 1986. Similarly, working capital was enhanced by a slight 5.6%. In this case, though, the medium size general freight carriers "out-performed" their smaller and larger general freight counterparts.

Cash throw, which increased 4.2% for Group B overall, actually improved in 5 regions and declined in four. Three of the regions improved cash throw by over 20% — the Middlewestern (up 21%), Pacific (up 28%), and the Rocky Mountain (up 31%). However, there were also some serious drops in cash throw, most notably by 44% in the Northwestern region - not surprising given their continuing earnings dilemma. Cash throw also dropped in the Southwest, Middle Atlantic, and Central regions.

Working capital, on the other hand, declined in six of the nine regions, although increasing 5.6% for Group B overall. The big gainer was the Middle Atlantic region, whose working capital increased by 607%, from almost nothing to a respectable level. Also, the Rocky Mountain region had a sizable 77% increase in working capital. The regions in which working capital declined were not seriously affected. The most severe declines were 18% in the Central and 11% in the Pacific. Otherwise, they were slight.

Working capital coverage of daily cash operating expenses exhibited virtually no change from 1985 to 1986 at 15 days. The regional range of coverage was from a high of 33 days (New England) to a low of 5 days in the Northwest. In addition to New England, the Southwest, Rocky Mountain and Pacific regions all had reasonable coverage of over 20 days. Those ranking low include the Midwestern, Southern, and Middle Atlantic regions. The Middle Atlantic region, however, showed vast improvement in levels of working capital and working capital coverage from year earlier conditions.

In the current ratio measurement, Group B overall was unchanged at 1.29 in both 1986 and 1985. Regional current ratios range from New England's 1.96 (third best in the industry) to the Northwestern's 1.11. The regional spread was far less than had been noted in previous years. Most groups are quite sound, and even those regions on the low side appear adequate.

The liquidity position of the medium general freight carriers, in sum, is fairly stable and generally sound. There is far less variability among the regions, another positive sign.

Investments and Leverage

The medium size general freight carriers are rather heavily leveraged, in fact, the most heavily leveraged of the major groups in 1986 based on debt to equity ratios. During the year they increased their investment in carrier operating property by 8.6%, but increased their level of funded debt by 15%. As a result, their debt to equity ratio rose as did interest expense, which remains a significant drain on revenues and operating income. They did, however, manage to reduce the age of their fleet a minor amount.

In five of Group B's regions, more was added to property at cost than to depreciation reserve, thereby lowering the "age" of the fleet. The most significant new investments occurred in the Midwestern and Rocky Mountain regions, where investments in operating property increased 20.7% and 19.5%, respectively. The Midwestern region, with the group's least depreciated (newest) fleet in 1985, reduced its fleet age further.

Three regions in Group B had relatively old fleets, 60% or more depreciated. These were the New England region, the Pacific and the Northwestern. In both New England and the Pacific region, there was a positive net increase in investment, lowering fleet age from what it had been in 1985. However, in the Northwestern region, there was net disinvestment, i.e., the selling of assets, as the property at cost account was reduced 15% from 1985 levels.

The Group B carriers also continue to make the heaviest use of owner-operators among the general freight groups. They expend over 28% of revenues on purchased transportation, compared to 20% for Group A and 13% in Group C. The heavy use of owner-operators among these medium size firms is across the regional breakouts, ranging between 19% in New England to 34% in the Midwestern region.

Thus, there is substantial use of non-owned equipment among the medium size general freight carriers, but heavy investment demands nonetheless.

Group B carriers showed fairly high leverage among general freight carriers in 1985, with a funded debt to equity ratio of 0.52 (compared to 0.30 for both Groups A and C). During the year they added 15% to funded debt, and became more leveraged by year end — a 0.59 debt to equity ratio. The debt increases were actually concentrated in a number of the regions, mainly the Rocky Mountain, Midwestern, New England and Southern, where debt increases ranged from 27% to 66%. In the Northwestern region, by contrast, debt levels declined 34%.

Debt to equity ratios within Group B ranged from very low to very high. At one end of the spectrum was the New England region's 0.15 debt to equity ratio. At the other end was the Southwestern region, at 1.00. Most of the regions were, however, on the high side, as six of the nine had debt to equity ratios at 0.63 or above.

With a moderate improvement in cash throw, but a heavier increase in debt levels, cash throw coverage of debt declined between 1985 and 1986 for these carriers. There is a great variance in cash throw coverage of debt among the regions, however. In the New England region, cash throw could bail them totally out of debt in about six months; in the Pacific region in about a year. In the Northwestern and Southwestern regions, on the other hand, it would require more like three years of applied cash throw to be debt free.

Net income, one of the major components of cash throw, is influenced by interest expenses, among other operating cost outlays. In 1986, interest expenses of Group B carriers increased 3.7%, substantially under the level of debt increase. Interest expense outlays varied from a 25% increase in the Midwestern region (debt increased 42%), to a 40% reduction in the Northwest (where debt fell 34%). Four regions reduced their interest outlays between 1985 and 1986; and most of the others had moderate increases.

Like their smaller Group A counterparts, the interest expenses of medium size general freight carriers are fairly heavy, representing the equivalent of 1.1% of revenues in both 1985 and 1986. The lowest interest burden in the industry, though, was Group B's New England region (0.25% of revenues). The interest burden was also low in the Pacific region (0.7% of revenues) and the Central region (0.8% of revenues). On the high side, on the other hand, were the Rocky Mountain region (1.8%), and Southwest (1.6%).

Interest was the equivalent of about one-third of Group B's operating income in 1985, about in line with Group A. The drain on this basis was most severe in the Northwest, where interest was on top of an operating loss. It was also severe in the Central (118% of operating profits) and the Middle Atlantic (90%) regions. Interest was a far lower drain on operating profits in the New England (9.5%) and Pacific (16%) regions.

Thus, Group B's medium size general freight carriers found themselves a bit better off in 1986 than in 1985, but not up to the level of improvement of other carrier groups. All in all, though, the changes they experienced were in the right direction, and hopefully will cushion them somewhat in the more depressed earnings climate of 1987.

Performance in 1987

Based on quarterly data for six months of 1987, the medium size general freight carriers have suffered a one-third reduction in net income. This reduction is despite favorable gains in tonnage and mileage (both up approximately 10%).

Carrier Group B

REGION NUMBER	1				2				3				4			
REGION	NEW ENGLAND				MIDDLE ATLANTIC				CENTRAL				SOUTHERN			
NUMBER OF CARRIERS	10				32				44				42			
YEAR	1986		1985		1986		1985		1986		1985		1986		1985	
INCOME STATEMENT	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA																
GROSS REVENUES	109.86	100.0	103.90	100.0	328.21	100.0	318.64	100.0	551.04	100.0	555.39	100.0	481.28	100.0	446.48	100.0
DEPRECIATION	3.26	3.0	2.92	2.8	15.32	4.7	14.32	4.5	18.38	3.3	18.29	3.3	20.59	4.3	20.50	4.6
PURCHASED TRANSPORTATION	20.81	18.9	20.99	20.2	83.09	25.3	81.66	25.6	168.64	30.6	159.85	28.8	124.03	25.9	125.08	28.1
TOTAL OPERATING EXPENSES	107.02	97.4	102.18	98.3	323.40	98.5	313.50	98.3	547.39	99.3	550.30	99.1	439.29	96.2	429.36	96.4
NET CARRIER OPERATING INCOME	2.84	2.6	1.72	1.7	4.81	1.5	5.34	1.7	3.66	0.7	5.08	0.9	21.99	4.6	16.12	3.6
INTEREST EXPENSE	0.27	0.2	0.32	0.3	4.33	1.3	4.53	1.4	4.31	0.8	3.49	0.6	5.83	1.2	8.01	1.3
NET INCOME BEFORE TAXES	3.14	2.9	3.08	3.0	0.58	0.2	5.00	1.6	1.11	0.7	6.87	1.1	18.10	3.9	11.99	2.7
INCOME TAXES-CURRENT	0.86	0.8	0.69	0.7	0.73-	0.2-	0.88	0.2	3.21	0.8	0.01	0.0	3.09	0.7	1.57	0.4
DEFERRED INCOME TAXES	0.01-	0.0	0.01	0.0	0.24	0.1	0.17	0.1	1.79-	0.3-	1.80	0.3	1.72	0.4	1.33	0.3
OTHER ADJUSTMENTS TO INCOME	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.17	0.0	0.17-	0.0	0.31	0.1
INCOME BEFORE EXTRA ITEMS	2.49	2.3	2.38	2.3	1.08	0.3	4.15	1.3	1.66	0.3	4.53	0.8	13.12	2.8	9.11	2.0
EXTRAORDINARY ITEMS	0.00	0.0	0.04	0.0	0.11	0.0	0.00	0.0	0.66	0.1	0.01-	0.0	0.00	0.0	0.04-	0.0
NET INCOME AFTER TAXES	2.49	2.3	2.42	2.3-	1.18	0.4	4.15	1.3	2.32	0.4	4.53	0.8	13.12	2.8	9.07	2.0
BALANCE SHEET																
ASSETS																
CASH	3.26	10.2	4.82	15.5	12.71	8.2	13.22	9.2	27.99	14.4	21.00	11.0	30.77	11.2	19.51	11.0
RECEIVABLES FROM AFFILIATES	0.21-	0.7-	0.49	1.6	4.26	2.7	3.33	2.3	13.62	7.0	8.01	4.2	7.29	3.9	2.85	1.6
NOTES & ACCOUNTS RECEIVABLE	15.60	48.8	13.87	45.4	34.26	22.1	33.56	23.4	46.40	23.8	49.37	25.9	37.10	20.0	36.59	20.7
PREPAID EXPENSES	0.76	2.3	0.73	2.4	5.30	3.4	4.73	3.3	7.45	3.8	6.76	3.5	5.29	3.4	6.42	3.6
MATERIALS & SUPPLIES	0.33	1.0	0.45	1.5	2.81	1.8	2.41	1.7	2.76	1.4	3.16	1.7	2.61	1.4	2.51	1.4
OTHER CURRENT ASSETS	0.00	0.0	0.00	0.0	0.20	0.1	0.16	0.1	0.03	0.0	0.23	0.1	0.32	0.2	0.38	0.2
TOTAL CURRENT ASSETS	19.73	61.7	20.36	66.6	59.53	38.3	57.41	40.1	98.24	50.5	88.52	48.4	74.28	40.1	68.24	38.5
CARRIER OPERATING PROPERTY	37.83	118.3	33.47	109.4	148.37	95.5	133.96	93.6	185.17	95.1	191.10	100.2	208.51	111.5	187.48	105.9
RESERVE FOR DEPRECIATION	26.23	82.0	23.93	78.3	83.43	53.7	76.39	53.4	104.71	53.8	108.04	56.6	105.75	57.1	96.87	54.1
CARRIER OPERATING PROPERTY NET	11.60	36.3	9.53	31.2	64.95	41.8	57.57	40.2	80.46	41.3	85.07	44.6	100.76	54.4	91.61	51.7
TOTAL TANGIBLE PROPERTY	11.60	36.3	9.53	31.2	83.00	53.4	75.30	52.6	88.57	45.5	91.48	48.0	101.30	54.7	92.39	52.2
INTANGIBLES	0.02	0.1	0.02	0.1	4.19	2.7	4.02	2.8	4.42	2.3	4.80	2.4	2.04	1.1	1.93	1.1
OTHER ASSETS	0.61	1.9	0.67	2.2	8.61	5.5	6.39	4.5	3.40	1.7	6.22	3.3	7.66	4.1	14.55	8.2
TOTAL ASSETS	31.97	100.0	30.59	100.0	155.34	100.0	143.12	100.0	194.63	100.0	190.73	100.0	185.27	100.0	177.11	100.0
LIABILITIES & EQUITY																
PAYABLES TO AFFILIATES	0.00	0.0	0.01-	0.0	11.63	7.5	24.21	16.9	13.59	7.0	9.36	4.9	6.71	3.6	9.63	5.4
NOTES PAYABLE	0.44	1.4	0.02	0.1	3.76	2.4	1.93	1.3	9.59	4.9	8.46	4.4	13.85	7.4	6.09	3.4
ACCOUNTS PAYABLE	3.63	11.3	4.05	13.3	14.53	9.4	15.02	10.5	20.93	10.8	20.84	10.9	16.80	8.9	17.33	9.8
MISC PAYABLES & ACCRUALS	0.83	2.6	1.21	3.9	3.24	2.1	2.74	1.9	6.59	3.4	5.99	3.1	2.67	1.5	2.98	1.7
TAXES PAYABLE	0.10-	0.3-	0.15	0.5	4.24-	2.7-	2.27-	1.6-	4.01	2.1	0.70	0.4	1.95	1.1	1.06	0.6
FUNDED DEBT DUE WITHIN ONE YEAR	1.28	4.0	0.79	2.5	10.60	6.8	8.80	6.0	9.81	5.0	7.62	4.0	13.38	7.2	11.77	6.6
OTHER CURRENT LIABILITIES	3.99	12.5	3.64	11.9	9.29	6.0	7.09	5.0	12.79	6.6	9.91	5.2	7.28	3.9	6.67	3.9
TOTAL CURRENT LIABILITIES	10.07	31.5	9.86	32.2	48.80	31.4	57.33	40.1	77.30	39.7	62.88	33.0	62.34	33.6	55.73	31.5
ADVANCES PAYABLE	0.00	0.0	0.12	0.4	22.52	14.5	4.18	2.9	7.30	3.7	6.56	3.4	1.17	0.6	2.21	1.3
FUNDED DEBT DUE AFTER ONE YEAR	1.64	5.1	1.35	4.4	24.13	15.5	23.34	16.3	26.65	13.6	27.94	14.7	36.71	19.8	27.82	15.6
TOTAL LONG TERM DEBT	1.64	5.1	1.47	4.8	46.65	30.0	27.52	19.2	34.15	17.5	34.51	18.1	37.88	20.4	29.83	16.8
TOTAL FUNDED DEBT	2.92	9.1	2.14	7.0	34.73	22.4	31.94	22.3	36.66	18.8	35.56	18.6	50.10	27.0	39.39	22.2
RESERVES & EST LIABILITIES	0.87	2.7	0.89	2.9	1.48	1.0	1.43	1.0	0.56	0.3	0.52	0.3	0.82	0.4	1.48	0.8
ACCUM DEFERRED TAX CREDITS	0.49	1.5	0.38	1.2	3.62	2.3	3.46	2.4	3.43	1.8	7.73	4.1	4.68	2.5	4.59	2.6
TOTAL LIABILITIES	13.07	40.9	12.59	41.2	100.55	64.7	89.73	62.7	115.44	59.3	105.64	55.4	105.72	57.1	91.84	51.7
STOCKHOLDER'S EQUITY	18.89	59.1	17.99	58.8	54.78	35.3	53.39	37.3	79.19	40.7	85.08	44.6	79.55	42.9	85.48	48.3
TOTAL CAPITAL	20.54	64.2	19.46	63.6	101.43	65.3	80.91	56.5	113.34	58.2	119.59	62.7	117.43	63.4	116.31	65.1
TOTAL LIABILITIES & EQUITY	31.97	100.0	30.59	100.0	155.34	100.0	143.12	100.0	194.63	100.0	190.73	100.0	185.27	100.0	177.11	100.0

ANALYTICAL DATA	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS
OPERATING PERFORMANCE								
GROSS REVENUES TO EQUITY	5.81	5.77	5.99	5.97	5.96	6.53	5.80	5.21
GROSS REVENUES TO TOTAL CAPITAL	5.35	5.34	3.24	3.94	4.86	4.84	3.93	3.96
GROSS REVENUES TO NET CARR OPER PROP	9.47	10.90	5.06	5.54	6.85	6.53	4.58	4.86
GROSS REVENUES TO CARR OPER PROP (COST)	2.90	3.10	2.21	2.38	2.98	2.91	2.23	2.38
PRE-TAX INCOME TO GROSS REVENUES %	2.86	2.97	0.17	1.57	0.76	1.06	3.92	2.69
PRE-TAX INCOME TO TOTAL CAPITAL, %	15.31	15.83	0.55	6.18	3.85	4.90	15.42	10.40
AFTER TAX INCOME TO GROSS REVENUES %	2.27	2.29	0.32	1.30	0.90	0.82	2.84	2.04
AFTER TAX INCOME TO EQUITY, %	13.20	13.22	1.92	7.78	2.10	5.33	18.50	10.65
RETURN ON TRANSPORTATION INVESTMENT, %	13.33	8.58	5.35	9.26	3.61	4.59	19.51	15.48
EXPENSE RATIO %	97.66	98.65	99.85	99.75	100.12	99.71	98.43	97.73
OPERATING RATIO %	97.42	98.34	98.54	98.33	99.34	99.06	95.23	96.38
AVERAGE REVENUE PER CARRIER	10.99	10.39	10.26	9.96	12.52	12.62	10.98	10.61
NET INCOME PER CARRIER	0.25	0.24	0.03	0.13	0.04	0.10	0.31	0.22
LIQUIDITY								
CASH THROW OFF, DOLLARS	5.74	5.31	16.60	18.64	18.30	24.15	35.81	30.82
WORKING CAPITAL, DOLLARS	9.67	10.50	10.73	0.08	20.94	25.84	11.93	12.52
CURRENT RATIO	1.96	2.07	1.22	1.00	1.27	1.41	1.19	1.22
DAYS CASH OPER EXP IN WORK CAP	33.84	38.55	12.68	0.10	14.42	17.52	10.39	11.12
AVERAGE DAYS COLLECTION PERIOD	51.83	48.74	38.10	38.42	30.73	32.44	29.36	29.98
LEVERAGE & DEBT SERVICE								
FUNDED DEBT TO EQUITY	0.15	0.12	0.63	0.60	0.48	0.42	0.63	0.48
NET DEBT TO EQUITY	0.42-	0.51-	0.24	0.44	0.07	0.03	0.31	0.18
FUNDED DEBT TO TANGIBLE NET WORTH	0.15	0.12	0.69	0.65	0.49	0.44	0.65	0.47
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	447.49	671.81	156.69	216.50	186.88	316.99	268.06	260.20
CASH THROW TO TOTAL FUNDED DEBT %	196.42	248.32	47.81	58.38	49.93	67.91	71.08	77.75
INTEREST TO TOTAL FUNDED DEBT %	9.07	15.08	12.48	14.19	11.77	9.81	11.04	15.25
CARRIER PROPERTY (NET) TO EQUITY	0.61	0.53	1.19	1.08	1.02	1.00	1.27	1.07
ADDITIONAL RATIOS								
RECEIVABLES TO PAYABLES	3.84	3.40	1.87	1.98	1.52	1.69	1.33	1.96
DEPREC TO DEBT DUE IN ONE YEAR	2.54	3.70	1.45	1.67	1.87	2.40	1.54	1.74
TOTAL TANG PROP TO EQUITY	0.61	0.53	1.52	1.41	1.12	1.08	1.27	1.08
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	13.20	13.22	1.92	7.78	2.10	5.33	18.50	10.65
GROSS REVENUES TO TOTAL TANG PROP	9.47	10.90	3.95	4.33	6.22	6.07	4.55	4.82
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)								
TOTAL PAYROLL TO REVENUES %	29.62	31.24	25.32	25.65	28.08	28.98	23.55	22.91
TOTAL PAYROLL (WPT) TO REVENUES %	48.27	49.67	52.43	52.84	56.86	56.84	50.06	50.56
CARGO HANDLER COMPEN TO REVENUES %	4.36	4.44	2.46	2.45	3.22	3.29	2.39	2.44
LINEHAUL EXPENSES TO REVENUES %	23.32	24.16	62.31	61.76	55.71	52.66	58.70	57.91
REVENUE PER TON-MILE, CENTS	29.66	28.48	16.70	15.62	17.28	16.32	11.39	11.52
AVERAGE LOAD, TONS	9.00	8.99	11.40	11.61	9.86	10.64	11.55	11.96
TOTAL TONS, THOUS	1,320.19	1,235.42	7,524.88	7,421.18	11,403.90	11,413.82	8,316.48	8,342.02
TOTAL MILES, THOUS	38,660.96	38,462.46	159,874.24	158,076.64	286,075.28	279,806.03	330,363.62	292,930.12

5 NORTHWESTERN 9				6 MIDWESTERN 21				7 SOUTHWESTERN 20				8 ROCKY MOUNTAIN 8				9 PACIFIC 34				TOTAL ALL REGIONS 220			
1986		1985		1986		1985		1986		1985		1986		1985		1986		1985		1986		1985	
$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%	$ IN MIL.	%
100.48	100.0	107.57	100.0	330.84	100.0	309.82	100.0	216.04	100.0	213.10	100.0	94.24	100.0	77.16	100.0	344.47	100.0	314.19	100.0	2,536.46	100.0	2,445.41	100.0
3.42	3.4	4.19	3.9	14.23	4.3	12.86	4.1	11.00	5.1	9.48	4.5	5.80	6.2	5.06	6.6	10.72	3.1	8.85	2.8	102.71	4.0	96.47	3.9
29.43	29.3	30.22	28.1	111.94	33.8	107.56	34.7	66.85	30.9	69.99	32.8	28.66	30.4	20.54	26.6	87.87	25.5	80.39	25.6	721.32	28.4	696.26	28.5
100.75	100.3	108.19	98.7	312.77	94.5	295.63	95.4	207.05	95.8	202.83	95.2	88.81	94.2	73.26	95.0	329.35	95.6	303.32	96.5	2,455.84	96.8	2,378.56	97.2
0.27-	0.3-	1.38	1.3	18.07	5.5	14.18	4.6	8.98	4.2	10.27	4.8	5.43	5.8	3.89	5.0	15.11	4.4	10.87	3.5	80.61	3.2	68.85	2.8
1.00	1.0	1.67	1.6	4.47	1.4	3.58	1.2	3.44	1.6	3.06	1.4	1.71	1.8	1.46	1.9	2.36	0.7	2.31	0.7	27.42	1.1	26.43	1.1
0.78-	0.8-	0.86	0.8	15.25	4.6	12.35	4.0	2.60	1.2	5.80	2.8	4.19	4.4	2.88	3.7	14.47	4.2	9.91	3.2	61.57	2.4	57.52	2.4
0.19-	0.2-	0.00	0.0	2.96	0.8	3.03	1.0	0.20	0.1	0.97	0.5	0.98	1.0	1.05	1.4	3.84	1.1	2.13	0.7	14.72	0.6	10.43	0.4
0.04-	0.0	0.19-	0.2-	1.59	0.5	1.00	0.3	0.13-	0.1-	0.42	0.2	0.07	0.1	0.05	0.1	0.29	0.1	0.08-	0.0	1.99	0.1	4.24	0.2
0.00	0.0	0.00	0.0	0.43	0.1	0.38	0.1	0.44-	0.2-	0.26	0.1	0.00	0.0	0.00	0.0	0.33	0.1	1.28	0.4	0.15	0.0	2.34	0.1
0.55-	0.6-	1.05	1.0	11.44	3.5	8.67	2.8	1.99	0.9	4.46	2.1	3.14	3.3	1.78	2.3	10.67	3.1	9.08	2.9	45.00	1.8	45.19	1.8
0.03	0.0	0.00	0.0	0.07	0.0	0.04-	0.0	0.00	0.0	0.00	0.0	0.08	0.1	0.00	0.0	0.04	0.0	0.03-	0.0	1.00	0.0	0.07-	0.0
0.52-	0.5-	1.05	1.0	11.50	3.5	8.63	2.8	1.99	0.9	4.46	2.1	3.22	3.4	1.78	2.3	10.71	3.1	9.06	2.9	46.00	1.8	45.12	1.8
3.72	13.3	3.66	10.0	9.07	6.0	10.37	8.5	7.44	7.9	7.11	7.4	4.37	10.4	3.09	9.3	11.21	9.2	12.09	10.6	100.55	10.0	94.78	10.1
0.44	1.6	0.60	1.7	3.41	2.2	1.85	1.5	7.87	8.3	11.73	12.2	1.56	3.7	1.08	3.2	5.98	4.9	10.52	9.2	44.21	4.4	40.45	4.3
7.85	28.0	8.45	23.7	28.35	18.6	26.13	21.5	22.60	23.9	22.23	23.0	9.18	21.8	7.46	22.4	36.90	30.2	34.24	30.1	238.25	23.7	231.90	24.6
1.71	6.1	1.59	4.5	7.27	4.8	5.07	4.2	5.15	5.4	4.40	4.6	1.46	3.5	1.56	4.7	4.76	3.9	5.00	4.4	40.15	4.0	36.24	3.8
0.52	1.9	0.93	2.6	2.25	1.5	1.87	1.4	1.53	1.6	1.34	1.4	0.70	1.7	0.51	1.5	1.41	1.2	1.71	1.5	14.80	1.5	14.66	1.6
0.01	0.0	0.07	0.2	1.96	1.3	1.27	1.0	0.12	0.1	0.12	0.1	0.02	0.1	0.09	0.1	0.33	0.3	0.11	0.1	2.88	0.3	2.36	0.3
14.26	50.9	15.21	42.7	52.31	34.3	46.39	38.1	44.71	47.2	46.92	48.6	17.29	41.2	13.72	41.2	50.80	49.6	63.66	55.9	440.95	43.8	420.40	44.6
35.88	127.3	42.02	118.1	141.16	92.7	116.97	96.2	93.56	98.7	92.96	96.0	47.13	112.2	39.44	118.4	112.67	92.2	101.15	88.8	1,008.07	100.2	926.53	98.5
23.57	84.1	24.20	68.0	65.02	42.7	56.58	46.5	47.92	50.6	41.49	43.0	24.27	57.7	21.56	64.7	69.74	57.1	62.93	55.3	560.64	54.7	509.00	54.0
12.10	43.2	17.82	50.1	78.14	50.0	60.39	49.7	45.62	48.1	41.46	43.0	22.86	54.4	17.88	53.7	42.93	35.1	38.21	33.8	467.43	45.4	419.54	44.8
12.22	43.6	17.91	50.3	76.70	50.4	60.92	50.1	46.38	48.9	42.41	44.0	23.14	55.1	18.18	54.5	44.34	36.3	39.74	34.9	467.26	46.4	447.86	47.6
0.10	0.4	0.11	0.3	2.10	1.4	0.66	0.5	2.37	2.5	2.66	2.8	0.71	1.7	0.46	1.4	1.52	1.2	1.30	1.1	17.47	1.7	15.95	1.7
1.45	5.2	2.37	6.7	21.18	13.9	13.64	11.2	1.32	1.4	4.50	4.7	0.87	2.1	0.99	3.0	15.72	12.9	9.18	8.1	80.62	8.0	58.50	6.2
28.03	100.0	35.59	100.0	152.29	100.0	121.57	100.0	94.76	100.0	96.80	100.0	42.02	100.0	33.32	100.0	122.19	100.0	113.86	100.0	1,006.48	100.0	942.40	100.0
0.77	2.7	0.67	1.9	1.66	1.1	3.50	2.9	3.41	3.6	6.42	6.7	0.00	0.0	0.00	0.0	3.52	2.9	8.18	7.2	41.28	4.1	61.94	6.6
1.83	6.5	1.51	4.2	1.79	1.2	2.81	2.3	2.00	2.1	0.00	0.0	1.36	3.2	1.83	5.5	2.20	1.8	1.83	1.6	36.61	3.6	24.48	2.6
4.37	15.6	4.29	12.1	14.29	9.4	12.58	10.3	7.73	8.2	7.13	7.4	4.18	10.0	4.39	13.2	15.66	12.8	14.84	13.0	101.84	10.1	100.46	10.7
0.92	3.3	1.03	2.9	5.38	3.5	4.17	3.4	1.46	1.5	1.30	1.3	0.76	1.8	0.56	1.7	2.75	2.2	4.03	3.5	27.80	2.8	24.01	2.5
0.35	1.3	0.56	1.6	1.87	1.2	3.92	3.2	0.96	1.0	1.15	1.2	0.80	1.9	0.28	0.8	3.46	2.8	2.01	1.8	9.07	0.9	7.57	0.8
1.96	7.0	2.78	7.8	10.61	6.9	8.65	7.1	10.14	10.7	12.03	12.5	3.06	7.3	1.94	5.8	5.41	4.4	5.04	4.4	86.14	8.6	59.22	6.3
2.56	9.2	2.66	7.5	7.83	5.1	5.74	4.7	6.05	6.4	5.82	6.0	0.84	2.0	1.16	3.5	7.61	6.2	5.21	4.6	58.27	5.8	48.11	5.1
12.79	45.6	13.51	38.0	46.32	30.4	41.37	34.0	31.76	33.5	33.64	35.1	10.99	26.2	10.16	30.5	40.64	33.3	41.13	36.1	341.01	33.9	326.80	34.6
0.19	0.7	0.48	1.3	16.71	11.0	15.26	12.6	1.84	1.6	0.34	0.3	0.30	0.7	0.45	1.3	2.11	1.7	2.07	1.8	51.83	5.1	31.68	3.4
5.70	20.3	8.84	24.8	27.67	18.2	18.17	14.9	24.63	26.0	22.74	23.6	11.24	26.7	6.66	20.0	15.32	12.5	12.83	11.3	173.90	17.3	149.50	15.9
5.89	21.0	9.32	26.2	44.37	29.1	33.44	27.5	26.17	27.6	23.07	23.9	11.53	27.5	7.13	21.4	17.44	14.3	14.90	13.1	225.73	22.4	181.15	19.2
7.66	27.3	11.82	32.7	38.17	25.1	26.82	22.1	34.77	36.7	34.76	36.0	14.29	34.0	8.62	25.9	20.74	17.0	17.88	15.7	240.04	23.8	208.73	22.1
0.06	0.2	0.04	0.1	4.12	2.7	2.20	1.8	0.48	0.5	0.07	0.1	0.33	0.8	0.23	0.7	0.82	0.7	2.01	1.8	9.53	0.9	6.86	0.9
0.03	0.1	0.27	0.8	5.61	3.7	3.46	2.8	1.73	1.8	1.95	2.0	0.78	1.8	1.11	3.3	2.77	2.3	2.42	2.1	23.13	2.3	25.37	2.7
18.76	67.0	23.14	65.0	100.42	65.9	80.46	66.2	60.14	63.5	58.94	61.1	23.63	58.2	18.62	55.9	61.86	50.5	60.46	53.1	599.41	59.8	541.23	57.4
9.26	33.0	12.45	35.0	51.86	34.1	41.11	33.8	34.62	36.5	37.56	38.9	18.39	43.8	14.70	44.1	60.52	49.5	53.41	46.9	407.08	40.4	401.15	42.6
15.15	54.1	21.77	61.2	96.24	63.2	74.54	61.3	60.79	64.2	60.64	62.8	29.93	71.2	21.83	65.5	77.96	63.8	68.32	60.0	632.80	62.9	582.36	61.8
28.03	100.0	35.59	100.0	152.29	100.0	121.57	100.0	94.76	100.0	96.80	100.0	42.02	100.0	33.32	100.0	122.19	100.0	113.86	100.0	1,006.48	100.0	942.40	100.0
1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS	
10.85		8.64		8.38		7.54		8.24		5.87		5.12		5.25		5.69		5.98		6.23		6.10	
6.83		4.94		3.44		4.16		3.55		3.51		3.15		3.63		4.42		4.60		4.01		4.20	
8.30		6.04		4.34		5.13		4.74		5.14		4.12		4.31		8.02		8.22		5.54		5.83	
2.82		2.56		2.34		2.65		2.31		2.57		2.00		1.96		3.08		3.11		2.52		2.63	
0.78-		0.80		4.61		3.90		1.16		2.63		4.44		3.71		4.20		3.15		2.43		2.35	
5.17-		3.95		15.85		16.57		4.11		9.24		14.00		13.11		18.56		14.51		9.73		9.88	
0.55-		0.98		3.46		2.80		0.92		2.09		3.33		2.26		3.10		2.89		1.77		1.85	
5.98-		8.44		22.05		21.09		5.74		11.86		17.06		11.96		17.62		17.01		11.06		11.26	
2.02-		7.06		22.00		21.69		15.34		18.83		16.62		16.13		24.03		17.90		14.46		13.39	
101.27		100.26		96.89		96.58		97.43		96.62		96.05		96.85		96.30		97.27		97.90		96.27	
100.27		98.72		94.54		95.42		95.84		95.18		94.24		94.98		95.61		96.54		96.82		97.18	
11.16		11.96		15.75		14.75		10.80		10.56		11.78		9.84		10.13		9.24		11.53		11.12	
0.06-		0.12		0.54		0.41		0.10		0.22		0.39		0.22		0.31		0.27		0.20		0.21	
2.83		5.06		26.82		22.17		13.30		14.11		9.00		6.89		21.35		18.63		149.96		143.57	
1.47		1.70		5.96		4.99		12.95		13.08		6.30		3.56		19.96		22.53		99.94		94.60	
1.11		1.13		1.13		1.12		1.41		1.39		1.57		1.35		1.49		1.55		1.29		1.29	
5.49		6.06		7.29		6.41		24.01		24.55		27.41		18.80		22.84		27.90		15.46		15.06	
28.51		28.66		31.28		30.78		38.19		38.06		35.56		35.32		39.10		39.77		34.29		34.61	
0.83		0.93		0.74		0.65		1.00		0.93		0.78		0.89		0.34		0.23		0.89		0.52	
0.48		0.67		0.42		0.32		0.34		0.26		0.27		0.21		0.06-		0.18-		0.18		0.14	
0.84		0.94		0.77		0.66		1.08		1.00		0.81		0.81		0.35		0.34		0.92		0.84	
144.16		181.89		255.24		266.33		131.21		117.32		295.07		353.76		394.41		329.72		226.13		242.42	
36.90		43.46		70.26		82.67		38.26		40.69		83.01		79.77		102.97		93.04		62.31		68.78	
13.05		14.41		11.72		13.39		9.89		8.81		11.93		16.89		11.40		12.90		11.42		12.66	
1.31		1.43		1.47		1.47		1.32		1.10		1.24		1.22		0.71		0.72		1.12		1.06	
1.27		1.46		1.76		1.70		2.32		3.12		1.86		1.20		2.06		2.06		1.72		1.86	
1.74		1.51		1.36		1.49		1.09		0.79		1.90		2.60		1.98		1.76		1.66		1.63	
1.32		1.44		1.48		1.48		1.34		1.13		1.26		1.24		0.73		0.74		1.20		1.12	
5.98-		8.44		22.05		21.09		5.74		11.19		17.06		11.96		17.62		17.01		11.06		11.20	
8.22		8.01		4.31		5.09		4.66		5.02		4.07		4.25		7.77		7.91		5.21		5.48	
21.04		22.37		22.20		22.67		20.32		19.05		18.39		20.59		25.16		28.62		24.49		24.85	
50.49		50.74		57.69		59.19		52.03		52.74		49.27		47.85		51.96		52.32		53.04		53.62	
3.44		3.72		2.06		2.26		1.91		2.06		1.43		1.95		3.56		3.56		2.74		2.84	
53.67		53.82		58.80		57.81		57.37		57.35		52.92		50.53		48.48		48.42		54.23		54.10	
18.10		24.33		10.15		10.53		8.91		9.35		8.12		9.53		19.82		17.96		13.42		13.84	
10.13		8.03		15.04		14.78		14.54		14.38		18.53		19.06		11.50		12.49		12.00		12.22	
1,639.46		1,941.64		4,338.84		3,822.69		8,206.13		7,666.05		1,297.78		1,138.06		8,983.02		8,649.67		64,010.24		61,520.24	
50,785.79		60,436.48		163,846.82		153,661.84		150,036.70		142,629.11		47,984.33		34,876.43		107,983.68		99,213.81		1,423,100.39		1,248,189.77	

However, discounting apparently held these gains from the income statement, as revenues only rose 3%. The reduction in earnings reflects a higher, 4%, rise in operating expenses.

Although this performance is not favorable, it was not as bad as for other general freight carrier groups. The medium size firms achieved stronger gains in tonnage and mileage, better revenue growth, and a smaller reduction in net income. Profit margins, however, remain thinner here than for the larger general freight carriers, although considerably better than for their smaller peers. The operating ratio of the medium size general freight carriers through six months of 1987 is 97.52, and the profit margin, 1.34%.

General Freight Carriers with Revenues Greater Than $25 Million Annually

Carrier Group C is comprised of the largest of the general freight carriers, those with annual revenues above $25 million. The group consists of two subgroups, carriers with revenues between $25 and $100 million (Group C-1), and those with revenues over $100 million (Group C-2).

The carriers in Group C, much larger than their Group A and B counterparts, generally have multi-regional or national scopes of operation. As such, they are subdivided into specific groups by length of haul (in addition to the revenue delineation). For Group C-1, two length of haul categories are used: 250 miles and under (short haul); and greater than 250 miles (long haul). For group C-2, four length of haul categories are used: 250 miles and under; 250-500 miles; 500-750 miles; and greater than 750 miles.

Carriers in Group C had a very good year in 1986, outperforming all other groups, general freight or specialized. They showed better increases in business, higher profitability, less leverage, and more than adequate liquidity. As in the past, a disproportionate representation of the industry's best performers are from Carrier Group C. In fact, four of the six individual length of haul carrier groups are in the industry's upper quartile of performers - both groups with length of haul less than 250 miles (C-1 and C-2), plus, from the $100 million revenue group, the 500-750 length of haul carriers and the over 750 mile length of haul firms (see Summary Scorecard section).

C-1: General Freight Carriers with Revenues between $25 and $100 Million Annually

Operating Performance/Profitability

General freight carriers in the $25 million to $100 million category — Group C-1 — experienced relatively strong business levels in 1986. The short haul group increased tonnage 4.7% and mileage 8.6% to enhance revenues 5.7%. Their longer haul peers had slightly better growth with tonnage up 4.9%, mileage 10.6% and revenues 6.8%.

Unlike most other carrier groups, and their shorter haul peers in particular, expense increases (up 7.1%) exceeded revenue growth for the long haul carriers in this group, leading to a 1.5% decline in operating profits. Write-offs in extraordinary items were very heavy in this long haul segment, leading to a 67% decline in net income. The short haul carriers, in contrast, kept expenses very much under control (up only 4.4%), thereby improving operating income almost 39%. They, too, had significant adjustments to income, but nevertheless managed to improve the bottom line 11.4%.

The profitability posture of these two similar size revenue groups is quite dissimilar in 1986. The short haul carriers, more profitable to begin with, improved margins; those of the less profitable longer haul group deteriorated. For 1986, respectively, operating ratios were 94.93 versus 97.16; profit margins - 2.64% versus 0.90%; returns on equity - 13.30% versus 6.11%; returns on investment - 21.19% versus 11.11%. In sum, the short haul carriers ended 1986 virtually twice as profitable as the long haul carriers in this revenue range.

Liquidity

The liquidity position of general freight carriers appears to decline with relative size and length of haul. Carrier Group A — the smallest general freight carriers — appears to be the most liquid of all, followed by Group B, then Group C. Within Group C, Group C-1 appears more liquid than Group C-2. Within both Groups C-1 and C-2, the shorter haul carriers exhibit better liquidity ratios than their longer haul counterparts.

Within Group C-1, not only are liquidity ratios different, they changed in opposite directions during 1986. The short haul carriers improved cash throw 27% between 1985 and 1986, and working capital 21%. Their current ratio improved slightly, from 1.22 to 1.23. Similarly, working capital coverage of daily cash operating expenses grew from 11 to 13 days.

In contrast, the longer haul carriers saw working capital decline significantly, dropping 42%. Their current ratio deteriorated from 1.37 to 1.18. Coverage of daily operating expenses from working capital declined from 18 days in 1985 to 10 days by 1986. Only in cash throw did they manage any improvement, a slight 4% gain. The long haul carriers, in fact, are the lowest ranking of all carriers groups in terms of overall measures of liquidity.

Investments/Leverage

As in the liquidity profile, the two length of haul subgroups of C-1 had very different leverage postures in 1986. The short haul carriers continue to be among the least leveraged groups in the industry; their longer haul counterparts continue among the more heavily leveraged.

The short haul carriers use mainly owned equipment in conducting their operations, expending only 15% of revenues on purchased transportation. In 1986, they added to carrier operating property at cost by 10%, some of which was fleet addition plus, of course, for equipment replacement. Charges to depreciation reserve increased 9%. The "age" of their fleet, over half depreciated in 1985, was slightly less depreciated by year end 1986.

Although adding a substantial amount to operating property at cost, it was accomplished with internally generated funds by the short haul carriers, and not increased borrowing. The group managed, in fact, to again reduce funded debt between 1985 and 1986 by 7.8%, and favorably reduced their debt to equity ratio to 0.20 from 0.24. With low funded debt, and improved cash throw, their cash throw coverage of funded debt increased from 135 in 1985 to 187 in 1986, indicating that all funded debt could be paid off in about a half a year were cash throw dedicated to that end. This group has one of the industry's best debt coverage structures, at least in 1986.

The short haul carriers also reduced their interest expenses in 1986 by 4.6%. Interest for this group continues to be a modest drain on operations, representing only 0.64% of revenues and 13 percent of operating income.

Carrier Group C

LENGTH OF HAUL	CARRIERS WITH REVENUES BETWEEN $25,000,000 AND $100,000,000								CARRIERS WITH REVENUES OVER $100	
NUMBER OF CARRIERS	250 MILES AND UNDER		251 MILES AND OVER		SUB-TOTAL, GROUP C-1				250 MILES AND UNDER	
	26		49		75				5	
YEAR	1986	1985	1986	1985	1986	1985			1986	1985

INCOME STATEMENT

	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA																
GROSS REVENUES	1,310.26	100.0	1,239.35	100.0	2,341.47	100.0	2,192.02	100.0	3,651.73	100.0	3,431.37	100.0	780.41	100.0	756.15	100.0
DEPRECIATION	46.57	3.6	43.59	3.5	93.22	4.0	86.42	3.9	139.79	3.8	129.00	3.8	27.69	3.5	22.30	2.9
PURCHASED TRANSPORTATION	193.92	14.8	172.47	13.9	807.56	34.5	813.54	37.1	1,001.48	27.4	986.00	28.7	167.01	21.4	160.80	21.3
TOTAL OPERATING EXPENSES	1,243.80	94.9	1,191.48	96.1	2,274.86	97.2	2,124.36	96.9	3,516.66	96.4	3,315.85	96.6	724.06	92.8	703.36	93.0
NET CARRIER OPERATING INCOME	66.46	5.1	47.87	3.9	66.61	2.8	67.65	3.1	133.07	3.6	115.52	3.4	56.33	7.2	52.80	7.0
INTEREST EXPENSE	8.45	0.6	8.86	0.7	37.95	1.6	39.90	1.8	46.40	1.3	48.76	1.4	4.07	0.5	7.47	1.0
NET INCOME BEFORE TAXES	69.83	5.3	42.85	3.5	38.96	1.6	40.29	1.8	106.79	2.9	83.14	2.4	76.15	9.8	52.03	6.9
INCOME TAXES-CURRENT	17.19	1.3	8.47	0.7	9.06	0.4	9.01	0.4	26.25	0.7	17.48	0.5	18.79	2.4	18.90	2.5
DEFERRED INCOME TAXES	2.48	0.2	4.64	0.4	6.73	0.3	3.77	0.2	9.21	0.3	8.41	0.2	1.01	0.1	2.01	0.3
OTHER ADJUSTMENTS TO INCOME	15.53-	1.2-	0.98	0.1	0.14-	0.0	0.35-	0.0	15.67-	0.4-	0.63	0.0	0.64	0.1	1.80	0.2
INCOME BEFORE EXTRA ITEMS	34.63	2.6	30.71	2.5	21.03	0.9	27.16	1.2	55.66	1.5	57.87	1.7	56.99	7.3	32.72	4.3
EXTRAORDINARY ITEMS	0.00	0.0	0.37	0.0	11.83-	0.5-	0.72	0.0	11.83-	0.3-	1.10	0.0	0.27-	0.0	0.00	0.0
NET INCOME AFTER TAXES	34.63	2.6	31.09	2.5	9.30	0.4	27.88	1.3	43.83	1.2	58.97	1.7	56.72	7.3	32.72	4.3

BALANCE SHEET

ASSETS																
CASH	54.84	10.1	41.42	8.2	67.03	6.7	59.77	6.5	121.87	7.9	101.19	7.1	16.96	3.2	24.03	6.2
RECEIVABLES FROM AFFILIATES	15.16	2.8	8.87	1.8	45.18	4.5	51.29	5.6	60.34	3.9	60.16	4.2	154.50	29.0	74.94	19.3
NOTES & ACCOUNTS RECEIVABLE	121.99	22.5	113.96	22.6	225.73	22.6	213.17	23.2	347.72	22.6	327.15	23.0	55.96	10.5	47.30	12.2
PREPAID EXPENSES	23.03	4.3	19.36	3.8	42.73	4.3	39.61	4.3	65.76	4.3	58.99	4.1	15.49	2.9	12.89	3.3
MATERIALS & SUPPLIES	10.47	1.9	11.70	2.3	15.72	1.6	15.54	1.7	26.19	1.7	27.25	1.9	5.97	1.1	4.98	1.3
OTHER CURRENT ASSETS	2.17	0.4	1.39	0.3	5.35	0.5	2.85	0.3	7.52	0.5	4.24	0.3	0.93	0.2	1.14	0.3
TOTAL CURRENT ASSETS	227.66	42.0	196.75	39.0	401.74	40.2	382.23	41.7	629.40	40.9	578.96	40.7	249.51	46.9	165.28	42.5
CARRIER OPERATING PROPERTY	581.76	107.4	527.95	104.7	932.58	93.3	838.40	91.4	1,514.34	98.3	1,366.35	96.1	452.39	85.0	369.60	95.1
RESERVE FOR DEPRECIATION	311.16	57.4	286.38	56.8	393.30	39.4	352.10	38.4	704.46	45.7	638.48	44.9	215.73	40.5	178.45	45.9
CARRIER OPERATING PROPERTY NET	270.60	50.0	241.57	47.9	539.28	54.0	486.30	53.0	809.86	52.6	727.87	51.2	236.66	44.5	191.14	49.2
TOTAL TANGIBLE PROPERTY	286.56	52.9	258.61	51.3	543.63	54.4	493.87	53.8	830.19	53.9	752.48	52.9	237.21	44.6	191.76	49.3
INTANGIBLES	10.11	1.9	13.28	2.6	8.76	0.9	7.36	0.8	18.88	1.2	20.63	1.5	14.62	2.7	12.37	3.2
OTHER ASSETS	17.29	3.2	35.71	7.1	44.94	4.5	34.11	3.7	62.23	4.0	89.82	4.9	30.88	5.8	19.37	5.0
TOTAL ASSETS	541.62	100.0	504.35	100.0	999.08	100.0	917.56	100.0	1,540.70	100.0	1,421.91	100.0	532.23	100.0	388.78	100.0
LIABILITIES & EQUITY																
PAYABLES TO AFFILIATES	29.31	5.4	15.56	3.1	4.76	0.5	11.39	1.2	34.07	2.2	26.96	1.9	126.65	23.8	24.56	6.3
NOTES PAYABLE	7.27	1.3	1.48	0.3	20.60	2.1	13.43	1.5	27.86	1.8	14.91	1.0	2.69	0.5	12.05	3.1
ACCOUNTS PAYABLE	54.28	10.0	60.28	12.0	86.55	8.7	102.34	11.2	140.83	9.1	162.62	11.4	26.66	5.0	20.50	5.3
MISC PAYABLES & ACCRUALS	18.41	3.4	14.85	2.9	23.01	2.3	17.61	1.9	41.42	2.7	32.47	2.3	4.21	0.8	5.82	1.5
TAXES PAYABLE	9.20	1.7	3.58	0.7	12.95	1.3	7.24	0.8	22.15	1.4	10.81	0.8	1.58-	0.3-	10.39	2.7
FUNDED DEBT DUE WITHIN ONE YEAR	10.38	1.9	8.80	1.7	124.69	12.5	69.07	7.5	135.07	8.8	77.88	5.5	4.23	0.8	5.00	1.3
OTHER CURRENT LIABILITIES	55.79	10.3	56.53	11.2	69.12	6.9	57.94	6.3	124.91	8.1	114.47	8.1	28.71	5.4	26.03	6.7
TOTAL CURRENT LIABILITIES	184.63	34.1	161.09	31.9	341.69	34.2	279.03	30.4	526.32	34.2	440.12	31.0	191.58	36.0	104.36	26.8
ADVANCES PAYABLE	23.20	4.3	26.34	5.2	28.10	2.8	37.16	4.1	51.31	3.3	63.50	4.5	25.69	4.8	28.72	7.4
FUNDED DEBT DUE AFTER ONE YEAR	42.90	7.9	48.95	9.7	225.41	22.6	238.36	26.0	268.31	17.4	287.32	20.2	29.09	5.5	27.83	7.2
TOTAL LONG TERM DEBT	66.11	12.2	75.29	14.9	253.51	25.4	275.54	30.0	319.62	20.7	350.83	24.7	54.78	10.3	56.55	14.5
TOTAL FUNDED DEBT	53.29	9.8	57.75	11.5	350.10	35.0	307.45	33.5	403.38	26.2	365.20	25.7	33.32	6.3	32.83	8.4
RESERVES & EST LIABILITIES	5.78	1.1	9.26	1.8	13.25	1.3	12.16	1.3	19.04	1.2	21.42	1.5	5.41	1.0	5.55	1.4
ACCUM DEFERRED TAX CREDITS	24.79	4.6	17.59	3.5	46.52	4.7	34.85	3.8	71.31	4.6	52.44	3.7	16.85	3.2	17.03	4.4
TOTAL LIABILITIES	281.31	51.9	263.22	52.2	654.98	65.6	601.58	65.6	936.29	60.8	864.80	60.8	268.61	50.5	183.48	47.2
STOCKHOLDER'S EQUITY	260.31	48.1	241.13	47.8	344.11	34.4	315.99	34.4	604.41	39.2	557.11	39.2	263.62	49.5	205.30	52.8
TOTAL CAPITAL	326.42	60.3	313.42	62.7	597.62	59.8	591.52	64.5	924.04	60.0	907.94	63.9	318.40	59.8	261.85	67.4
TOTAL LIABILITIES & EQUITY	541.62	100.0	504.35	100.0	999.08	100.0	917.56	100.0	1,540.70	100.0	1,421.91	100.0	532.23	100.0	388.78	100.0

ANALYTICAL DATA

	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS
OPERATING PERFORMANCE								
GROSS REVENUES TO EQUITY	5.03	5.14	6.80	6.94	6.04	6.16	2.96	3.68
GROSS REVENUES TO TOTAL CAPITAL	4.01	3.92	3.92	3.71	3.95	3.78	2.45	2.89
GROSS REVENUES TO NET CARR OPER PROP	4.84	5.13	4.34	4.51	4.51	4.71	3.30	3.98
GROSS REVENUES TO CARR OPER PROP (COST)	2.25	2.35	2.51	2.61	2.41	2.51	1.73	2.05
PRE-TAX INCOME TO GROSS REVENUES %	5.33	3.46	1.58	1.84	2.92	2.42	9.76	6.86
PRE-TAX INCOME TO TOTAL CAPITAL, %	21.39	13.54	6.18	6.81	11.56	9.16	23.92	19.87
AFTER TAX INCOME TO GROSS REVENUES %	2.64	2.48	0.90	1.24	1.52	1.69	7.30	4.33
AFTER TAX INCOME TO EQUITY, %	13.30	12.74	6.11	8.59	9.21	10.39	21.82	15.94
RETURN ON TRANSPORTATION INVESTMENT, %	21.19	17.27	11.11	11.48	14.58	13.33	19.12	20.95
EXPENSE RATIO %	95.57	96.86	96.78	96.73	97.63	96.05	93.30	94.01
OPERATING RATIO %	94.93	96.14	97.16	96.91	96.36	96.63	92.78	93.02
AVERAGE REVENUE PER CARRIER	50.39	47.67	47.79	44.74	48.69	45.75	156.08	151.23
NET INCOME PER CARRIER	1.33	1.18	0.45	0.55	0.74	0.77	11.40	6.54
LIQUIDITY								
CASH THROW OFF, DOLLARS	99.21	77.96	121.12	116.70	220.33	194.66	85.06	55.44
WORKING CAPITAL, DOLLARS	43.02	35.66	60.06	103.20	103.08	138.86	87.93	60.93
CURRENT RATIO	1.23	1.22	1.18	1.37	1.20	1.32	1.30	1.58
DAYS CASH OPER EXP IN WORK CAP	13.10	11.33	10.01	18.33	11.11	15.82	30.35	32.59
AVERAGE DAYS COLLECTION PERIOD	33.98	33.57	35.19	35.50	34.76	34.80	26.17	22.83
LEVERAGE & DEBT SERVICE								
FUNDED DEBT TO EQUITY	0.20	0.24	1.02	0.97	0.67	0.66	0.13	0.16
NET DEBT TO EQUITY	0.00	0.06	0.48	0.43	0.27	0.27	0.11-	0.16-
FUNDED DEBT TO TANGIBLE NET WORTH	0.21	0.25	1.04	1.00	0.69	0.68	0.13	0.17
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	955.44	885.39	97.14	168.95	183.12	249.95	2,012.18	1,107.96
CASH THROW TO TOTAL FUNDED DEBT %	186.17	134.99	34.60	37.96	54.62	53.30	255.29	168.86
INTEREST TO TOTAL FUNDED DEBT %	15.86	15.34	10.84	12.98	11.60	13.35	12.20	22.75
CARRIER PROPERTY (NET) TO EQUITY	1.04	1.00	1.57	1.64	1.34	1.31	0.90	0.93
ADDITIONAL RATIOS								
RECEIVABLES TO PAYABLES	1.99	1.85	2.11	1.84	2.06	1.84	1.91	1.45
DEPREC TO DEBT DUE IN ONE YEAR	4.48	4.95	0.75	1.24	1.03	1.86	6.55	4.46
TOTAL TANG PROP TO EQUITY	1.10	1.07	1.58	1.56	1.37	1.35	0.90	0.93
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	13.30	12.74	6.14	8.88	9.23	10.44	21.62	15.94
GROSS REVENUES TO TOTAL TANG PROP	4.57	4.79	4.31	4.44	4.40	4.56	3.29	3.94
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)								
TOTAL PAYROLL TO REVENUES %	34.27	35.11	20.97	20.15	25.80	25.61	33.33	34.85
TOTAL PAYROLL (WPT) TO REVENUES %	49.07	49.03	55.92	57.86	53.43	54.51	54.73	56.12
CARGO HANDLER COMPEN TO REVENUES %	5.87	6.01	2.47	2.46	3.70	3.76	7.12	6.92
LINEHAUL EXPENSES TO REVENUES %	32.69	32.82	62.45	64.30	51.64	52.82	32.16	35.60
REVENUE PER TON-MILE, CENTS	40.70	30.68	10.22	10.85	14.02	13.94	47.58	47.06
AVERAGE LOAD, TONS	7.65	10.38	14.38	14.27	12.95	13.44	7.09	6.52
TOTAL TONS, THOUS	15,784.92	15,050.10	30,232.56	28,823.65	45,997.47	43,873.76	6,760.14	9,711.32
TOTAL MILES, THOUS	401,562.41	369,641.48	1,493,430.91	1,360,618.82	1,894,993.32	1,720,260.31	226,560.45	241,886.59

251 THROUGH 500 MILES 9				501 THROUGH 750 MILES 8				751 MILES AND OVER 11				TOTAL CARRIERS GROSS REVENUES OVER $100,000,000 SUBTOTAL GROUP C-2 31				TOTAL CARRIERS WITH GROSS REVENUES OVER $25,000,000 COMBINED GROUP C 106			
1986		1985		1986		1985		1986		1985		1986		1985		1986		1985	
$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
1,615.82	100.0	1,485.24	100.0	1,791.10	100.0	1,630.51	100.0	7,022.95	100.0	6,411.69	100.0	11,210.29	100.0	10,263.59	100.0	14,862.01	100.0	13,694.96	100.0
70.06	4.3	53.67	3.7	60.50	3.4	57.91	3.6	334.55	4.8	297.92	4.6	493.10	4.4	431.80	4.2	632.89	4.3	560.80	4.1
214.55	13.3	220.69	15.1	149.52	8.3	122.97	7.5	367.05	5.2	339.97	5.3	698.14	6.0	644.43	6.2	1,899.62	12.8	1,830.43	13.4
1,539.12	95.3	1,422.75	97.1	1,659.93	92.7	1,536.00	94.2	6,516.34	92.8	6,113.37	95.3	10,439.47	93.1	9,775.48	95.2	13,958.13	93.9	13,091.33	95.6
76.70	4.7	42.49	2.9	131.17	7.3	94.51	5.8	506.61	7.2	298.32	4.7	770.81	6.9	486.11	4.8	903.89	6.1	603.63	4.4
20.28	1.3	18.56	1.3	9.23	0.5	8.13	0.5	36.29	0.5	43.47	0.7	69.86	0.6	77.63	0.8	116.25	0.8	126.39	0.9
56.22	3.5	26.03	1.7	124.70	7.0	91.53	5.6	473.07	6.7	265.14	4.1	730.15	6.5	433.74	4.2	836.94	5.5	516.88	3.8
13.06	0.8	6.11	0.4	58.50	3.3	40.66	2.5	161.02	2.3	94.50	1.5	251.36	2.2	160.17	1.6	277.61	1.9	177.66	1.3
13.76	0.9	3.54	0.2	2.92	0.2	7.70	0.5	60.19	0.9	59.25	0.9	77.88	0.7	72.50	0.7	87.09	0.6	80.91	0.6
0.06	0.0	4.76	0.3	0.06	0.0	0.11	0.0	27.87	0.4	28.56	0.4	28.62	0.3	35.01	0.3	12.95	0.1	35.64	0.3
29.48	1.8	20.13	1.4	63.33	3.5	43.28	2.7	279.73	4.0	139.95	2.2	429.53	3.8	236.08	2.3	485.19	3.3	293.95	2.1
0.00	0.0	0.00	0.0	2.50-	0.1-	0.00	0.0	7.04	0.1	1.92	0.0	4.27	0.0	1.92	0.0	7.57-	0.1-	3.02	0.0
29.48	1.8	20.13	1.4	60.82	3.4	43.28	2.7	286.77	4.1	141.87	2.2	433.80	3.9	236.00	2.3	477.62	3.2	296.97	2.2
21.48	2.8	7.50	1.1	51.13	6.2	56.16	7.6	161.38	4.2	110.40	3.1	250.96	4.2	200.09	3.7	372.81	4.9	301.26	4.5
37.53	4.8	17.08	2.6	2.53-	0.3-	11.32	1.5	11.77	0.3	62.02	2.3	201.27	3.4	185.35	3.5	261.61	3.5	245.50	3.6
170.96	20.6	159.52	23.2	183.01	22.3	166.02	22.1	645.21	16.9	578.19	16.5	1,055.15	17.6	953.02	17.8	1,402.87	18.6	1,280.18	18.9
34.98	4.2	28.51	4.2	24.63	3.0	23.43	3.1	146.23	3.8	123.22	3.5	221.32	3.7	188.05	3.5	287.08	3.8	247.05	3.7
16.27	2.0	12.89	1.9	15.49	1.9	16.10	2.1	47.60	1.3	49.98	1.4	85.03	1.4	83.95	1.6	111.22	1.5	111.20	1.6
4.26	0.5	4.67	0.7	8.58	1.0	8.64	0.7	12.33	0.3	41.45	1.2	26.12	0.4	52.80	1.0	33.64	0.4	87.04	0.8
285.51	34.3	230.16	33.5	280.30	34.1	282.56	37.2	1,024.52	26.9	985.27	28.1	1,839.83	30.7	1,663.26	31.1	2,469.23	32.6	2,242.24	33.2
745.94	89.6	609.51	88.8	959.04	116.6	882.45	116.1	3,566.17	93.7	3,223.19	92.0	5,723.54	95.5	5,084.75	95.2	7,237.88	96.1	6,451.10	96.4
257.69	30.9	229.89	33.5	436.86	53.1	425.53	56.0	1,628.26	40.1	1,333.66	38.0	2,438.35	40.7	2,167.55	40.6	3,142.81	41.7	2,806.02	41.5
488.25	58.6	379.62	55.3	522.38	63.5	456.93	60.1	2,037.91	53.5	1,889.51	53.9	3,285.20	54.8	2,917.21	54.6	4,095.08	54.3	3,645.06	53.9
489.60	58.8	381.58	55.6	525.07	63.9	459.61	60.5	2,061.99	54.2	1,908.82	54.5	3,313.68	55.3	2,941.96	55.1	4,144.07	55.0	3,694.45	54.6
8.05	1.0	16.43	2.4	1.46	0.2	5.06	0.7	42.25	1.1	28.56	0.8	66.38	1.1	62.44	1.2	85.26	1.1	83.08	1.2
49.76	6.0	58.60	8.5	15.45	1.9	12.92	1.7	677.91	17.8	582.47	16.6	774.02	12.9	673.37	12.6	836.25	11.1	743.19	11.0
832.92	100.0	686.77	100.0	822.28	100.0	760.35	100.0	3,806.67	100.0	3,505.13	100.0	5,994.11	100.0	5,341.04	100.0	7,534.81	100.0	6,762.96	100.0
11.76	1.4	12.21	1.8	13.42	1.6	17.92	2.4	23.96	0.6	29.79	0.8	175.81	2.9	84.45	1.6	209.87	2.8	111.44	1.6
19.55	2.3	8.46	1.2	8.80	1.1	0.00	0.0	32.21	0.8	8.57	0.2	63.25	1.1	29.09	0.5	91.12	1.2	44.00	0.7
51.46	6.2	40.75	5.9	62.29	7.6	60.17	7.9	271.78	7.1	225.82	6.4	412.22	6.9	347.24	6.5	553.05	7.3	509.86	7.5
14.99	1.8	15.65	2.3	19.31	2.3	22.14	2.9	99.37	2.6	174.21	5.0	137.87	2.3	217.83	4.1	179.30	2.4	250.30	3.7
10.39	1.2	8.04	1.2	9.24	1.1	8.81	1.2	112.99	3.0	104.53	3.0	131.04	2.2	131.78	2.5	153.19	2.0	142.59	2.1
29.69	3.6	20.54	3.0	6.24	0.8	8.37	1.1	49.37	1.3	40.68	1.2	89.52	1.5	74.59	1.4	224.59	3.0	152.47	2.3
77.02	9.2	61.81	9.0	95.06	11.6	92.67	12.2	481.79	12.7	477.74	13.6	682.57	11.4	658.25	12.3	807.48	10.7	772.72	11.4
214.89	25.8	167.47	24.4	214.35	26.1	210.08	27.6	1,071.48	28.1	1,061.35	30.3	1,692.28	28.2	1,543.26	28.9	2,216.60	29.4	1,983.37	29.3
50.72	6.1	36.53	5.2	33.04	4.0	23.66	3.1	118.50	3.1	139.55	4.0	297.94	5.8	227.46	4.3	279.25	3.7	290.96	4.3
151.85	18.2	104.79	15.3	39.98	4.9	61.63	8.1	318.51	8.4	300.94	8.6	539.43	9.0	495.19	9.3	807.74	10.7	782.52	11.6
202.56	24.3	140.32	20.4	73.02	8.9	85.32	11.2	437.01	11.6	440.49	12.6	767.37	12.8	722.57	13.5	1,086.99	14.4	1,073.50	15.9
181.53	21.8	125.33	18.2	46.22	5.6	70.00	9.2	367.88	9.7	341.62	9.7	626.95	10.5	569.78	10.7	1,032.34	13.7	934.96	13.8
10.26	1.2	7.18	1.0	27.82	3.4	17.66	2.3	179.83	4.7	145.22	4.1	223.33	3.7	175.80	3.3	242.37	3.2	197.22	2.9
47.40	5.7	37.50	5.5	60.38	7.3	58.79	7.7	310.32	8.2	256.26	7.4	434.96	7.3	371.56	7.0	506.27	6.7	424.00	6.3
475.14	57.0	352.47	51.3	375.57	45.7	372.06	48.9	1,996.62	52.5	1,905.30	54.4	3,117.94	52.0	2,813.29	52.7	4,054.23	53.8	3,678.09	54.4
357.79	43.0	334.30	48.7	446.71	54.3	388.31	51.1	1,808.06	47.5	1,599.63	45.6	2,876.16	48.0	2,527.75	47.3	3,480.58	46.2	3,084.86	45.6
560.35	67.3	474.62	69.1	519.73	63.2	473.62	62.3	2,245.06	59.0	2,040.32	58.2	3,643.54	60.8	3,250.42	60.9	4,567.57	60.6	4,158.36	61.5
832.92	100.0	686.77	100.0	822.28	100.0	760.35	100.0	3,806.67	100.0	3,505.13	100.0	5,994.11	100.0	5,341.04	100.0	7,534.81	100.0	6,762.96	100.0
1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS	
4.52		4.38		4.01		4.20		3.88		4.01		3.90		4.06		4.27		4.44	
2.88		3.09		3.45		3.44		3.13		3.14		3.08		3.16		3.25		3.29	
3.31		3.86		3.43		3.57		3.45		3.39		3.41		3.52		3.63		3.76	
2.17		2.40		1.87		1.85		1.97		1.99		1.98		2.02		2.06		2.12	
3.48		1.71		6.96		5.61		6.74		4.14		6.51		4.23		5.63		3.77	
10.03		5.27		23.99		19.33		21.07		13.00		20.04		13.34		18.32		12.43	
1.62		1.37		3.54		2.65		3.98		2.18		3.83		2.30		3.26		2.15	
8.24		6.02		14.18		11.15		15.47		8.75		14.93		9.34		13.94		9.53	
13.72		9.61		22.30		17.86		25.45		18.45		22.45		16.07		20.80		15.46	
96.51		96.37		93.19		94.70		93.30		96.03		93.75		96.00		94.70		96.52	
95.25		97.10		92.66		94.20		92.79		95.35		93.12		95.24		93.92		95.59	
179.54		162.80		298.62		271.75		638.45		562.88		381.62		331.08		140.21		129.20	
3.28		2.24		10.55		7.21		25.43		12.72		13.86		7.62		4.58		2.77	
113.24		72.60		128.70		108.78		646.90		466.55		971.99		705.37		1,192.22		900.03	
70.61		62.66		65.94		72.48		46.95-		76.08-		147.56		120.01		250.63		258.67	
1.33		1.37		1.31		1.35		0.96		0.93		1.09		1.08		1.11		1.13	
17.45		16.68		15.04		17.90		2.77-		4.77-		5.41		4.68		6.85		7.52	
38.62		39.74		37.30		37.61		33.53		32.91		34.35		33.89		34.45		34.12	
0.51		0.37		0.10		0.18		0.20		0.21		0.22		0.23		0.30		0.30	
0.23		0.13		0.06-		0.03-		0.20		0.24		0.14		0.15		0.16		0.17	
0.52		0.39		0.10		0.18		0.21		0.22		0.22		0.23		0.30		0.31	
381.43		353.43		2,030.06		1,900.33		1,310.40		1,151.81		1,086.64		945.66		530.84		590.31	
62.38		57.93		274.09		155.40		175.85		137.16		154.52		123.80		115.49		96.26	
11.17		14.81		19.96		11.62		9.86		12.73		11.11		13.62		11.26		13.52	
1.36		1.14		1.17		1.18		1.13		1.18		1.14		1.15		1.18		1.18	
2.41		3.24		2.87		2.79		2.12		2.47		2.22		2.53		2.18		2.31	
2.36		2.61		9.89		8.92		6.78		7.32		5.61		5.79		2.82		3.68	
1.37		1.14		1.18		1.18		1.14		1.19		1.15		1.16		1.19		1.20	
8.24		6.28		14.18		11.15		15.47		8.75		14.93		9.37		13.94		9.57	
3.30		3.64		3.41		3.55		3.41		3.36		3.36		3.49		3.59		3.71	
35.06		34.83		37.49		37.46		38.09		38.85		35.97		36.51		33.50		33.80	
48.33		49.90		45.84		45.02		41.32		42.15		43.96		44.74		46.28		47.17	
7.89		7.55		8.61		8.47		8.49		8.72		8.33		8.36		7.20		7.23	
34.40		37.26		32.91		34.50		36.36		36.32		35.23		37.36		39.23		41.21	
32.85		30.16		23.66		24.03		18.86		19.20		21.79		21.99		19.25		19.29	
9.97		10.10		12.13		11.93		14.72		14.55		13.07		12.99		13.03		13.14	
12,603.55		12,626.02		12,057.68		10,964.34		31,237.16		28,126.25		64,678.83		61,417.93		110,676.00		105,291.68	
823,187.34		464,849.37		591,606.09		539,436.21		2,448,439.30		2,224,027.93		3,789,793.11		3,470,180.11		5,884,778.44		5,190,440.41	

Interest is a far heavier burden for the longer haul general freight carriers in Group C-1. Here, it represents 1.6% of revenues and close to 57% of operating profits, even though the longer haul carriers reduced interest expense 5% in 1986. However, their interest burden stands to increase again, as the group took on an additional 13.8% of funded debt.

The longer haul general freight carriers are substantially leveraged as indicated by their 1.02 debt to equity ratio (compared to 0.20 for short haul carriers), and further, by their cash throw coverage of debt - about a three year payoff (compared to about a half year for short haul firms).

On the other hand, the longer haul carriers have a newer fleet than short haul carriers (less depreciated), which could result in a lower, more reasonable, level of debt in the future. Also, their more intense use of owner-operators (34% of revenues expended for purchased transportation — over twice the relative expenditures of their short haul peers) — relieves much of the pressure associated with equipment ownership.

Performance in 1987

Quarterly results through six months for general freight carriers in Group C-1 indicate the impact of rate discounting that has permeated the industry in this year. Business is up (tons up over 4%; miles almost 7%), but revenues have not kept pace. Expenses have, unfortunately, shown percentage gains in line with the business growth, and have risen 2 percentage points higher than revenues. Profitability has suffered, falling almost 40%, as the operating ratio has risen to over 97 and the profit margin has fallen to about 1.6%. This is not as severe a decline as experienced by small general freight carriers in Group A, but somewhat more pronounced than for Group B. The profit margins of the C-1 general freight carriers, however, remain fractionally better than for the medium size general freight carriers.

C-2: General Freight Carriers with Revenues Greater Than $100 Million Annually

These largest of the general freight carriers are also the best performers within the trucking industry based on a composite of measures in profitability, liquidity and leverage. Indeed, the best performing group of all is the short haul general freight carriers with revenues over $100 million. They have the industry's best overall rating in profitability and liquidity, and are second best in leverage. Following them, with the industry's second best overall rating, is the group with length of haul between 500 and 750 miles. They have the industry's overall best leverage rating and are fourth best in profitability. Their liquidity rating, though, is just average. Also in the upper quartile is the carrier group with length of haul greater than 750 miles — the long haul group. This group has the industry's second best composite profitability rating, are fifth best in leverage, but rank low in liquidity.

Operating Performance

The largest general freight carriers, those in Group C-2, had sound business growth in 1986, with tonnage up 5.3%, mileage 9.2% and revenues 9.2%. Within the groups by length of haul, however, there was some disparity. Both of the longer length of haul groups (500-750, and over 750) had tonnage and mileage growth in the 10 to 11 percent range, and improved revenues just under 10%. The two shorter length of haul groups (under 250 and 250-500) both handled less tonnage in 1986 (off 0.2% for 250-500, but 9.6% for under 250) but still managed to increase revenues.

All groups by length of haul managed favorable spreads of revenues over costs in 1986, leading to improved profitability. Gains in operating profits ranged from 6.7% (under 250 miles) to 80.5% (250-500 miles). Gains in net profits were even better, ranging from 40.5% (500-750 miles) to 102.1% (over 750 miles).

As a result of these gains, profit margins turned favorable virtually across the board. Three of the groups had operating ratios in the 92's. The worst operating ratio in group C-2 was 95.25 (250-500 miles), still better by far than the average achieved in other carrier groups.

Leading among the C-2 groups in profit margin was the under 250 mile group — a profit margin of 7.3%. The over 750 mile long haul group followed at 3.98%, then 3.54% for the 500-750 mile group. Lagging was the 250-500 mile group's 1.82%.

Impressive financial ratios were also registered in returns on equity and investment. The short haul carriers (under 250 miles) again led in ROE, with a 21.62% return, followed by the over 750 mile group (15.47%) and the 500-750 mile group (14.18%). In return on investment, the best ratio was 25.45% for the over 750 mile group, followed by 22.30% for the 500-750 mile group, and 19.12% for the short haul carriers. The 250-500 mile group again lagged in these profitability measures, but had nevertheless registered substantial improvements over 1985 returns.

All-in-all, the carriers in group C-2 are exhibiting the profitability not only for staying power, but have the growth margins, where they can not only finance from internally generated funds, if they choose, but also obtain financing under the most favorable of terms, with little if any concern of default.

Leverage

The largest general freight carriers are generally spending far more on equipment than other carriers groups within the industry. Their fleet is newest, that is, least depreciated, and they continue to invest in operating property at a far more brisk pace. Both of the short haul groups increased their investments in carrier operating property at cost by 22.4%. The 250-500 mile carrier group has the industry's newest (least depreciated fleet) fleet — only 34.55% depreciated.

The longer haul carrier groups (500-750 miles and over 750 miles) also increased investments in operating property, but at a more modest 10% clip. All carrier groups with C-2 have fleets less than half depreciated.

These increased investments were, for the most part, accomplished without significant increases in debt. In fact, the 500-750 mile group managed to decrease debt levels

34%. The short haul group (under 250 miles) managed to increase investment 22.4% with only a 1.4% increase in debt. In contrast, their other shorter haul counterparts (250-500 miles), who had also added 22.4% to operating property at cost, did so with a steep 44.8% addition to debt.

With the 44.8% addition to debt, the 250-500 mile group significantly increased their debt to equity ratio, from 0.37 in 1985 to 0.51 in 1986 — by far the highest among C-2 groups. Otherwise, the groups have very low and favorable debt to equity ratios: 0.10 for 500-750 miles; 0.13 for under 250 miles; and 0.20 for 750 miles and over. These latter three groups not only have very favorable 1986 debt to equity ratios, each marked an improvement over 1985.

Changes in interest expenses were also generally very favorable. Both the short haul (under 250 miles) and the long haul (750 miles and over) reduced interest expenses, a very significant 45.6% for the short haul group. Even though the 500-750 mile group reduced debt 34%, it's interest expense rose 13.4%. Interest for the 250-500 mile group rose only 9.3% despite the 44.8% rise in funded debt.

Only for the 250-500 mile carrier group does interest represent any significant drain on operations, taking 1.26% of revenues and 26.4% of operating income. For each of the other groups, interest is a very modest drain, representing only 0.52% of revenues and only 7 plus percent of operating income.

Liquidity

Unlike the changes in profitability and leverage, liquidity slipped somewhat among the largest general freight carriers. Two of the four length of haul groups experienced a decrease in working capital. For the 750 mile and over group working capital was negative in both 1985 and 1986. Only the 250-500 mile carrier group managed to improve working capital, by 13%.

The negative working capital position of the 750 mile and over group is obviously associated with a current ratio under the 1.00 threshold. Their current ratio is improving, though, from a 0.93 in 1985 to 0.96 in 1986.

The other three groups by length of haul showed some deterioration in current ratio, but each at the end of 1986 have adequate current ratios, ranging between 1.30 and 1.33.

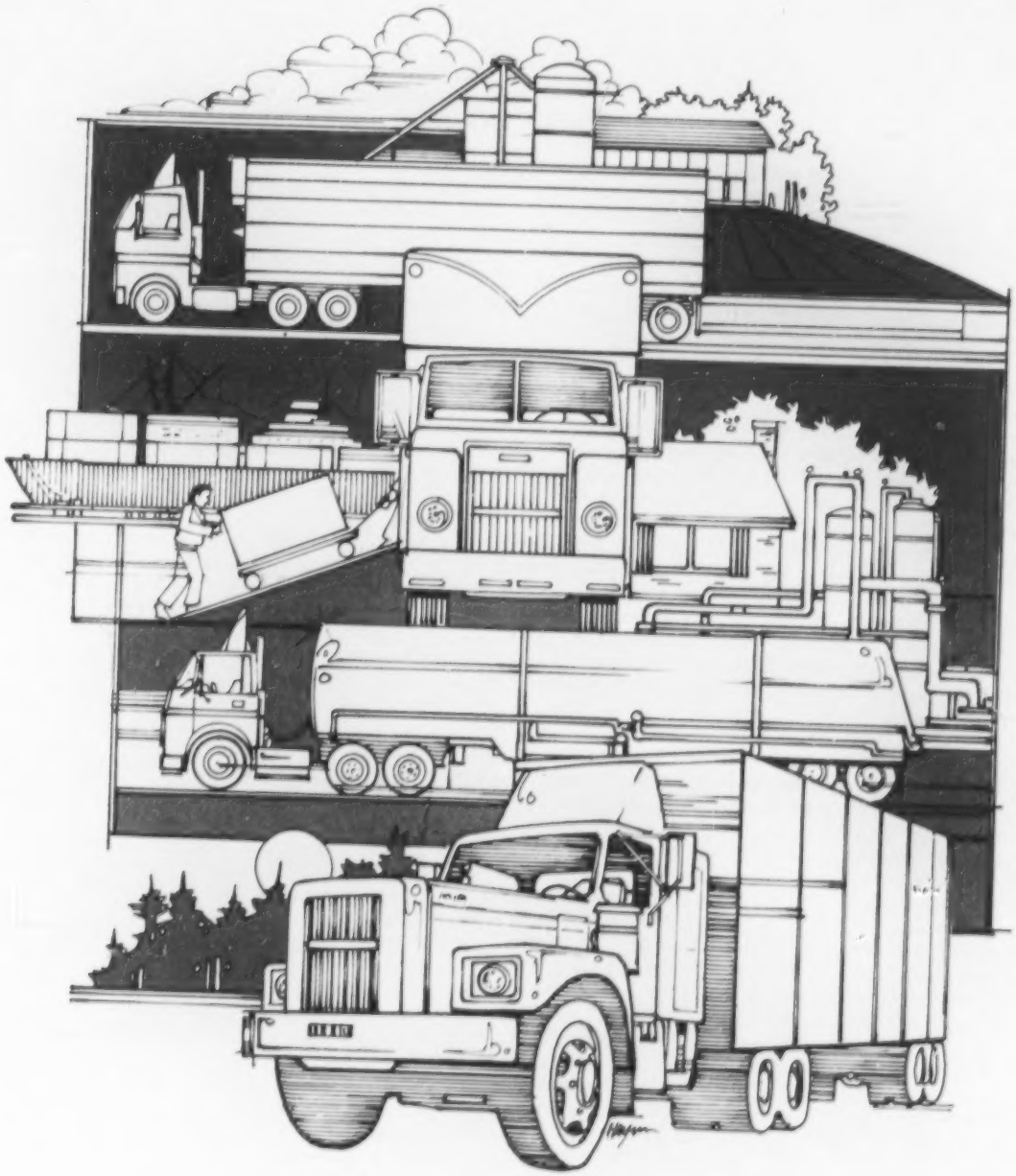
Days of cash operating expenses covered by working capital is generally sufficient among the carrier groups in C-2, except for the over 750 mile carriers (with negative coverage). Elsewhere, coverage ranges from 15 days to 30 days.

Due to the sound profitability performance, cash throw improved for each of the length of haul categories, from 16% (500-750 miles) upwards to 56% (250-500 miles). This greatest percentage improvement in cash throw by the 250-500 mile group was very critical, since they are the most heavily leveraged of the groups, and coverage of debt, thus, becomes most important. Their cash throw debt coverage would indicate a potential debt pay-off of just under two years; for the other three groups of C-2, all debt could potentially be paid off in well under one year — indeed, a matter of months for the under 250 mile and 500-750 mile groups.

Performance in 1987

The rate discounting that has been referenced previously in 1987 results was paramount among the largest general freight carriers. These firms, emerging as a group with the best profit margins in 1986 (and historically as well) have the leverage to take a significant short term earnings decline, which has occurred in 1987, remain reasonably profitable, and hope to regain the higher margins in the near term future — thus, emerging even stronger.

Future expectations notwithstanding, the discounting that has occurred, especially in the first half of 1987, has had its predictable outcome — earnings have suffered. The largest general freight carriers have seen profits drop by more than 50% despite gains in mileage of almost 7% and tonnage of near 2%. Expense increases of about 6% were far in excess of the 2% revenue gain, producing the earnings decline. Reflecting these relative changes, the operating ratio of these firms has risen from under 93 to near 96 and the profit margin has tumbled from 4% to under 2%. These levels, however, remain significantly better than for the other general freight groups, thus positioning their earnings for rapid recovery as the discounting levels off or abates during the latter half of 1987.



CARRIER GROUP D

Specialized Carriers with Revenues Greater than $1 Million Annually

Introduction

Specialized motor carriers are generally truckload carriers, moving freight from single origins to single destinations. There are numerous types of specialized carriers, involved in a wide range of operations. In many areas of specialized hauling, the equipment indicates the shippers served; in other areas, the equipment type is suitable to a wide variety of freight, but the carrier chooses to haul only certain commodities. Other carriers in this highly diverse segment of trucking transport almost anything, anytime, anywhere.

Among specialized carriers, those providing generally unique services to select shippers are motor vehicle (automobile) haulers, transporting new and used cars, and tank truck operators, who haul petroleum, liquid chemicals, and other bulk liquid products, such as milk. Their equipment is not suited to handling product lines other than those for which it was designed.

Other specialized carriers such as those handling building materials and heavy machinery tend to focus on those product lines although their equipment, mainly flatbed trailers, could be used for some other products as well. The same applies to refrigerated product haulers, principally transporting freight requiring temperature control. Household goods carriers used to focus almost exclusively on moving new and used furniture for office buildings and personal residences, but have diversified into transporting other commodities extremely sensitive to road vibrations, computers for example.

The standard (enclosed dry) van is the most versatile equipment in the trucking industry, operated by general freight as well as a vast number of specialized carriers. The specialized carriers operating this equipment choose to concentrate on transporting truckload quantities generally to avoid the extensive investment requirements for handling substantial amounts of small shipments (involving the need for terminals; pickup and delivery equipment; etc.). However, they do handle much freight weighing less than 10,000 pounds (technically "less-than-truckload"), which, by dimension, is more truckload in nature. Also, they'll handle consolidated loads of small shipments to one or a few destinations for brokers, freight forwarders, or other consolidators; haul small shipments on backhauls; or if the load's revenue covers transporting costs.

Mainly, though, specialized motor carriers transport truckload quantities from single origins to single destinations. This is one main differences between them and their general freight counterparts.

Another difference between general freight and specialized motor carriers is the stronger inclination of the specialized carrier to use owner-operators to transport freight, that is, drivers who own their own equipment and lease their services to the carrier. Thus, these specialized motor carriers can achieve the transportation without extensive investments of their own capital into equipment. Use of owner-operators is not exclusive to the specialized carriers, but far more prevalent among them than general freight.

The 930 specialized carriers represented in this 1987 Financial Analysis account for 42.3% of the summarized revenues for Class I and II carriers. These firms, based on average revenue, are less than half the size of the general freight carriers in the data base - $14.22 million compared to $31.58 million for the average general freight carrier. From an overall industry perspective, however, the vast majority of smaller sized Class III carriers (over 33,000 firms with annual revenues under $1 million) also operate as specialized truckload firms. Thus, the revenue size of the average specialized carrier would tend to be much smaller than indicated by firms included in this analysis.

1986 Results - All Specialized Carriers

The specialized motor carriers, like general freight, achieved much needed improvements in 1986; however, their gains were not up to the same levels as general freight. Revenue growth was less (2.5% versus 7.3%), as were improvements in tonnage (3.4% versus 4.2%) and mileage (1.9% versus 8.5%). The specialized carriers improved their bottom line -- operating income up 19%; net income up 22% -- but again, the improvement was less than achieved by the general freight carriers. Specialized carriers continue to show thinner profit levels (1.96% net profit margin compared to 3.02% for general freight), and lower returns. The specialized carriers' 10.3% return on equity was 3 percentage points less than for general freight; their 13.2% return on investment was 6 percentage points lower.

The debt and leverage position of specialized carriers also continues to be worse than for general freight. Their debt to equity levels are far higher (0.55 versus 0.33) even though general freight carriers added far more to debt between 1985 and 1986 (up 10.8%) than the specialized carriers (up 3.7%).

The interest burden of specialized carriers remains steep. Interest takes 1.35% of the specialized carrier revenue dollar and 40% of operating income. Among all general freight carriers, interest is a much lower 0.8% of revenues and 15% of operating income.

The specialized carrier group is not likely to shed its debt burden quickly. Cash throw, although adequate, is not strong enough to pay off substantial chunks of debt, and equipment remains old. Coupled with continuing thin profit margins, adding to debt levels, rather than reducing them seems in the cards. Given these circumstances, one can expect continued high demand for leased equipment. Their use of purchased transportation, the alternative "source" of equipment, remained unchanged between 1985 and 1986, at 35% of revenues.

The liquidity position of specialized carriers remains their strong suit, and continued to improve in 1986. Their current ratio rose to 1.37 in 1986 from 1.29 in 1985, while that of the general freight firms dropped to 1.17 from 1.18. Working capital improved 34% for specialized carriers, versus 0.1% for general freight. Specialized carriers also increased their coverage of daily cash operating expenses from working capital, rising from 17 days in 1985 to over 22 days in 1986. This is more than twice as good as in general freight, where coverage in 1986 is under 10 days. On the other hand, cash throw (dependent on the income statement and earnings of the carriers) only rose 7.9% for specialized truckers in 1986, compared to

Carrier Group D

COMMODITY	HOUSEHOLD GOODS		HEAVY MACHINERY		PETROLEUM		REFRIGERATED PRODUCTS	
NUMBER OF CARRIERS	96		45		104		86	
YEAR	1986	1985	1986	1985	1986	1985	1986	1985

INCOME STATEMENT

	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
INCOME & EXPENSE DATA																
GROSS REVENUES	3,032.26	100.0	2,875.04	100.0	385.74	100.0	372.93	100.0	1,593.16	100.0	1,515.18	100.0	1,137.02	100.0	1,087.18	100.0
DEPRECIATION	44.57	1.5	38.19	1.3	14.14	3.9	16.29	4.4	89.87	5.6	89.92	5.9	49.80	4.4	45.25	4.2
PURCHASED TRANSPORTATION	1,572.04	51.8	1,500.82	52.2	128.88	35.2	125.23	33.6	412.07	25.9	389.92	25.7	547.93	48.2	524.93	49.2
TOTAL OPERATING EXPENSES	2,984.00	98.4	2,813.84	97.9	354.87	97.0	373.83	100.2	1,526.92	95.8	1,489.00	98.3	1,089.21	95.8	1,029.36	96.5
NET CARRIER OPERATING INCOME	48.26	1.6	61.20	2.1	10.86	3.0	0.90-	0.2-	66.23	4.2	26.18	1.7	47.81	4.2	37.82	3.5
INTEREST EXPENSE	37.47	1.2	30.16	1.0	7.63	2.1	7.99	2.1	26.65	1.7	27.53	1.8	17.36	1.5	17.69	1.7
NET INCOME BEFORE TAXES	75.93	2.5	81.06	2.8	11.83	3.2	6.21-	1.7-	48.06	3.0	6.73	0.4	36.34	3.2	26.32	2.5
INCOME TAXES-CURRENT	29.40	1.0	32.48	1.1	4.01	1.1	0.26	0.1	15.75	1.0	1.14	0.1	8.63	0.8	4.00	0.4
DEFERRED INCOME TAXES	1.25	0.0	1.15	0.0	0.28-	0.1-	0.00	0.0	1.64-	0.1-	0.27-	0.0	3.96	0.3	5.21	0.5
OTHER ADJUSTMENTS TO INCOME	11.70	0.4	9.94	0.3	0.26	0.1	0.27	0.1	2.90	0.2	0.17	0.0	0.21	0.0	0.07-	0.0
INCOME BEFORE EXTRA ITEMS	56.98	1.9	57.36	2.0	8.36	2.3	6.19-	1.7-	36.86	2.3	6.02	0.4	23.96	2.1	17.03	1.6
EXTRAORDINARY ITEMS	2.99	0.1	1.06-	0.0	1.16	0.3	0.00	0.0	0.24	0.0	0.08	0.0	0.11	0.0	0.75	0.1
NET INCOME AFTER TAXES	59.97	2.0	56.30	2.0	9.51	2.6	6.19-	1.7-	37.10	2.3	6.10	0.4	24.07	2.1	17.78	1.7

BALANCE SHEET

ASSETS																
CASH	78.92	5.2	54.62	4.0	15.84	7.6	13.51	6.6	72.02	8.2	65.56	8.4	26.43	5.5	22.04	4.4
RECEIVABLES FROM AFFILIATES	106.04	7.0	76.41	5.5	8.64	4.1	7.21	3.5	47.20	5.4	23.03	3.0	32.87	6.9	49.54	9.9
NOTES & ACCOUNTS RECEIVABLE	567.10	37.2	468.09	33.9	73.57	35.3	67.31	32.9	163.48	18.7	149.72	19.3	106.42	22.3	112.88	22.6
PREPAID EXPENSES	44.86	2.9	40.44	2.9	10.38	5.0	7.99	3.9	42.68	4.9	35.37	4.6	19.58	4.1	16.68	3.3
MATERIALS & SUPPLIES	11.29	0.7	13.73	1.0	5.07	2.4	2.86	1.4	16.21	1.9	16.46	2.1	8.39	1.8	6.81	1.4
OTHER CURRENT ASSETS	59.98	3.9	68.31	4.9	1.10	0.5	3.60	1.8	5.94	0.7	4.44	0.6	1.06	0.2	1.22	0.2
TOTAL CURRENT ASSETS	868.19	57.0	721.60	52.2	114.60	54.9	102.48	50.0	347.54	39.7	294.57	38.0	194.75	40.8	209.15	41.9
CARRIER OPERATING PROPERTY	586.88	38.5	561.26	40.6	196.61	94.2	203.01	99.1	1,003.91	114.6	978.37	126.1	437.14	91.6	404.24	81.0
RESERVE FOR DEPRECIATION	267.58	17.6	236.45	17.1	129.56	62.1	129.31	63.1	589.46	67.3	553.58	71.3	205.31	43.0	180.33	36.2
CARRIER OPERATING PROPERTY NET	319.30	21.0	324.82	23.5	67.05	32.1	73.70	36.0	414.45	47.3	424.79	54.7	231.83	48.6	223.91	44.9
TOTAL TANGIBLE PROPERTY	339.14	22.3	345.38	25.0	79.20	38.0	84.74	41.4	421.47	48.1	432.04	55.7	237.08	49.7	228.63	45.8
INTANGIBLES	52.75	3.5	49.12	3.6	0.78	0.4	0.83	0.4	11.85	1.4	3.81	0.5	5.30	1.1	5.23	1.0
OTHER ASSETS	263.08	17.3	266.32	19.3	14.11	6.8	16.82	8.2	95.26	10.9	45.58	5.9	40.05	8.4	55.75	11.2
TOTAL ASSETS	1,523.17	100.0	1,382.41	100.0	208.69	100.0	204.88	100.0	876.12	100.0	776.01	100.0	477.19	100.0	498.76	100.0
LIABILITIES & EQUITY																
PAYABLES TO AFFILIATES	123.01	8.1	90.39	6.5	2.22	1.1	1.84	0.8	40.68	4.6	13.14	1.7	14.18	3.0	31.38	6.3
NOTES PAYABLE	47.74	3.1	49.80	3.6	2.35	1.1	2.12	1.0	7.04	0.8	8.99	1.2	7.97	1.7	7.60	1.5
ACCOUNTS PAYABLE	218.00	14.3	212.71	15.4	20.12	9.6	25.06	12.2	63.95	7.3	67.33	8.7	40.20	8.4	52.10	10.4
MISC PAYABLES & ACCRUALS	14.26	0.9	14.00	1.0	26.99	12.9	6.60	3.2	14.51	1.7	16.14	2.1	9.69	2.0	4.58	0.9
TAXES PAYABLE	24.12	1.6	14.79	1.1	2.58	1.2	1.24	0.6	16.52	1.9	9.43	1.2	11.62	2.4	8.68	1.7
FUNDED DEBT DUE WITHIN ONE YEAR	61.65	4.0	69.59	5.0	9.00	4.3	30.99	15.1	54.28	6.2	54.97	7.1	31.00	6.5	31.40	6.3
OTHER CURRENT LIABILITIES	107.79	7.1	94.55	6.8	12.10	5.8	8.54	4.2	53.95	6.2	52.90	6.8	13.07	2.7	12.31	2.5
TOTAL CURRENT LIABILITIES	596.57	39.2	545.83	39.5	75.27	36.1	76.18	37.2	250.95	28.6	222.91	28.7	127.74	26.8	148.02	29.7
ADVANCES PAYABLE	187.49	12.3	175.06	12.7	4.20	2.0	4.53	2.2	46.19	5.3	30.36	3.9	29.07	6.1	22.61	4.5
FUNDED DEBT DUE AFTER ONE YEAR	143.55	9.4	128.63	9.3	32.71	15.7	37.65	18.4	154.66	17.7	161.12	20.8	99.31	20.8	116.78	23.4
TOTAL LONG TERM DEBT	331.04	21.7	303.69	22.0	36.92	17.7	42.18	20.6	200.85	22.9	191.48	24.7	128.38	26.9	139.39	27.9
TOTAL FUNDED DEBT	205.21	13.5	198.22	14.3	41.61	19.9	68.63	33.5	208.94	23.8	216.10	27.8	130.32	27.3	148.17	29.7
RESERVES & EST LIABILITIES	28.49	1.9	21.24	1.5	0.92	0.4	0.87	0.4	12.29	1.4	9.10	1.2	4.97	1.0	7.02	1.4
ACCUM DEFERRED TAX CREDITS	33.32	2.2	33.42	2.4	2.64	1.3	5.77	2.8	41.80	4.8	39.49	5.1	23.72	5.0	18.18	3.6
TOTAL LIABILITIES	989.42	65.0	904.18	65.4	115.74	55.5	125.00	61.0	505.88	57.7	462.99	59.7	284.82	59.7	312.60	62.7
STOCKHOLDER'S EQUITY	533.75	35.0	478.23	34.6	92.95	44.5	79.88	39.0	370.24	42.3	313.02	40.3	192.37	40.3	186.16	37.3
TOTAL CAPITAL	864.79	56.8	781.92	56.6	129.87	62.2	122.06	59.6	571.09	65.2	504.50	65.0	320.76	67.2	325.54	65.3
TOTAL LIABILITIES & EQUITY	1,523.17	100.0	1,382.41	100.0	208.69	100.0	204.88	100.0	876.12	100.0	776.01	100.0	477.19	100.0	498.76	100.0

ANALYTICAL DATA

	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS	1986 RATIOS	1985 RATIOS
OPERATING PERFORMANCE								
GROSS REVENUES TO EQUITY	5.68	6.01	3.93	4.67	4.30	4.84	5.91	5.73
GROSS REVENUES TO TOTAL CAPITAL	3.51	3.68	2.82	3.06	2.79	3.00	3.54	3.28
GROSS REVENUES TO NET CARR OPER PROP	9.50	8.85	5.45	5.06	3.84	3.57	4.90	4.77
GROSS REVENUES TO CARR OPER PROP (COST)	5.17	5.12	1.86	1.84	1.59	1.55	2.60	2.64
PRE-TAX INCOME TO GROSS REVENUES %	2.50	2.82	2.23	1.66-	3.02	0.44	3.20	2.47
PRE-TAX INCOME TO TOTAL CAPITAL, %	8.78	10.37	9.11	5.08-	8.42	1.33	11.33	8.08
AFTER TAX INCOME TO GROSS REVENUES %	1.88	2.00	2.28	1.66-	2.31	0.40	2.11	1.60
AFTER TAX INCOME TO EQUITY, %	10.67	12.00	8.99	7.75-	9.96	1.92	12.46	9.15
RETURN ON TRANSPORTATION INVESTMENT, %	8.17	6.16	10.21	0.90-	12.96	5.27	16.00	13.27
EXPENSE RATIO %	99.64	98.92	99.12	102.38	97.52	100.09	97.32	96.11
OPERATING RATIO %	98.41	97.87	97.03	100.24	95.84	98.27	95.79	96.46
AVERAGE REVENUE PER CARRIER	31.59	29.95	8.13	8.29	15.32	14.57	13.22	12.41
NET INCOME PER CARRIER	0.59	0.60	0.19	0.14-	0.35	0.06	0.28	0.20
LIQUIDITY								
CASH THROW OFF, DOLLARS	91.10	86.77	21.95	9.82	122.18	95.50	77.51	67.56
WORKING CAPITAL, DOLLARS	271.62	175.76	39.33	26.30	96.60	71.66	67.01	61.13
CURRENT RATIO	1.46	1.32	1.52	1.35	1.38	1.32	1.52	1.41
DAYS CASH OPER EXP IN WORK CAP	33.70	23.10	41.72	26.70	24.40	18.54	23.48	22.59
AVERAGE DAYS COLLECTION PERIOD	68.26	59.43	73.42	65.88	37.45	36.07	34.16	38.60
LEVERAGE & DEBT SERVICE								
FUNDED DEBT TO EQUITY	0.38	0.41	0.45	0.86	0.56	0.69	0.68	0.80
NET DEBT TO EQUITY	0.24-	0.10-	0.07-	0.14	0.16	0.29	0.17	0.30
FUNDED DEBT TO TANGIBLE NET WORTH	0.43	0.46	0.45	0.87	0.58	0.70	0.70	0.82
CASH THROW TO FUNDED DEBT DUE IN ONE YR %	147.76	124.69	246.66	31.70	225.07	173.73	249.99	215.16
CASH THROW TO TOTAL FUNDED DEBT %	44.39	43.77	52.75	14.31	58.47	44.20	59.48	45.59
INTEREST TO TOTAL FUNDED DEBT %	18.26	15.22	18.35	11.64	12.76	12.74	13.32	11.94
CARRIER PROPERTY (NET) TO EQUITY	0.60	0.68	0.72	0.92	1.12	1.36	1.21	1.20
ADDITIONAL RATIOS								
RECEIVABLES TO PAYABLES	2.13	1.78	3.27	2.48	2.30	1.96	2.21	1.89
DEPREC TO DEBT DUE IN ONE YEAR	0.72	0.55	1.59	0.53	1.66	1.64	1.61	1.44
TOTAL TANG PROP TO EQUITY	0.64	0.72	0.85	1.06	1.14	1.38	1.23	1.23
INCOME BEFORE EXTRA ITEMS ETC TO EQUITY %	10.67	12.00	8.99	7.75-	9.96	1.92	12.46	9.15
GROSS REVENUES TO TOTAL TANG PROP	8.94	8.32	4.62	4.40	3.78	3.51	4.60	4.67
PRODUCTIVITY MEASURES (INT-CTY CARR ONLY)								
TOTAL PAYROLL TO REVENUES %	13.02	13.18	16.21	17.03	21.95	22.69	14.04	13.39
TOTAL PAYROLL (WPT) TO REVENUES %	68.37	69.29	56.78	56.70	48.23	48.83	62.09	62.26
CARGO HANDLER COMPEN TO REVENUES %	8.48	9.75	0.01	0.00	0.02	0.01	0.58	0.72
LINEHAUL EXPENSES TO REVENUES %	61.51	62.24	80.32	82.29	79.32	82.02	78.80	78.23
REVENUE PER TON-MILE, CENTS	51.50	50.66	10.97	11.87	10.25	9.82	6.86	6.74
AVERAGE LOAD, TONS	5.00	4.99	12.43	11.49	15.06	15.20	16.51	17.18
TOTAL TONS, THOUS	3,687.70	3,706.35	9,178.59	9,114.90	127,119.05	122,870.08	17,802.50	16,866.34
TOTAL MILES, THOUS	798,699.42	781,624.20	205,135.68	201,119.13	965,483.80	946,204.03	803,735.54	748,358.04

AGRICULTURAL PRODUCTS 59				MOTOR VEHICLES 26				BUILDING MATERIALS 91				OTHER SPECIAL COMMODITIES 423				TOTAL SPECIAL COMMODITIES 930			
1986		1985		1986		1985		1986		1985		1986		1985		1986		1985	
$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%	$ IN MIL	%
373.64	100.0	367.64	100.0	1,852.75	100.0	1,886.40	100.0	958.34	100.0	948.91	100.0	3,914.47	100.0	3,867.64	100.0	13,227.39	100.0	12,900.93	100.0
21.62	5.8	22.94	6.2	94.38	5.1	84.73	4.5	52.56	5.5	49.66	5.2	193.99	5.0	190.37	4.9	560.91	4.2	537.34	4.2
117.37	31.4	116.69	31.7	204.59	11.0	195.06	10.3	311.97	32.6	321.44	33.9	1,366.67	34.9	1,351.62	34.9	4,661.52	35.2	4,525.71	35.1
361.95	96.9	360.14	98.0	1,751.13	94.5	1,776.10	94.2	917.12	95.7	906.99	95.6	3,792.83	96.9	3,774.87	97.6	12,778.04	96.6	12,524.12	97.1
11.69	3.1	7.50	2.0	101.62	5.5	110.30	5.8	41.23	4.3	41.92	4.4	121.65	3.1	92.78	2.4	449.35	3.4	376.81	2.9
4.26	1.1	4.38	1.2	16.81	0.9	13.40	0.7	17.46	1.8	15.43	1.6	51.02	1.3	54.51	1.4	178.65	1.4	171.07	1.3
10.14	2.7	6.40	1.7	87.30	4.7	91.25	4.8	29.21	3.0	31.84	3.4	87.82	2.2	65.10	1.7	386.62	2.9	302.48	2.3
2.65	0.7	0.55	0.2	41.93	2.3	26.39	1.4	8.50	0.9	7.22	0.8	14.31	0.4	5.83	0.2	125.17	0.9	77.88	0.6
0.03-	0.0	0.61	0.2	1.80	0.1	6.73	0.4	1.29	0.1	1.16	0.1	16.70	0.4	9.23	0.2	23.04	0.2	23.83	0.2
0.01-	0.0	0.14-	0.0	0.15	0.0	0.57	0.0	1.44	0.2	0.94	0.1	4.24	0.1	2.22	0.1	20.90	0.2	13.90	0.1
7.51	2.0	5.09	1.4	43.72	2.4	58.70	3.1	20.87	2.2	24.40	2.6	61.05	1.6	52.25	1.4	259.31	2.0	214.67	1.7
0.01-	0.0	0.05-	0.0	0.00	0.0	0.68	0.0	0.03	0.0	0.82	0.1	0.21	0.0	0.21	0.0	4.73	0.0	1.41	0.0
7.50	2.0	5.04	1.4	43.72	2.4	59.36	3.1	20.90	2.2	25.22	2.7	61.26	1.6	52.46	1.4	264.03	2.0	216.06	1.7
21.90	13.8	14.65	9.9	18.13	2.3	3.71	0.5	73.33	15.0	48.94	11.0	142.05	8.1	150.73	8.6	448.62	7.2	373.75	6.3
4.88	3.1	3.20	2.2	66.37	8.5	50.70	6.6	11.07	2.3	10.16	2.3	152.47	8.7	119.89	6.8	429.54	6.8	340.15	5.7
33.45	21.1	31.93	21.7	126.47	16.2	141.18	18.4	73.91	15.1	73.34	16.5	363.58	20.6	365.63	20.8	1,507.98	24.0	1,410.05	23.6
5.41	3.4	4.67	3.2	23.33	3.0	23.75	3.1	24.37	5.0	21.77	4.9	59.97	3.4	58.64	3.3	230.57	3.7	209.30	3.5
2.21	1.4	2.22	1.5	10.00	1.3	12.07	1.6	8.04	1.6	9.43	2.1	26.59	1.5	26.91	1.5	87.80	1.4	90.49	1.5
0.31	0.2	0.36	0.2	2.15	0.3	2.26	0.3	2.73	0.6	1.93	0.4	4.76	0.3	6.70	0.4	78.04	1.2	88.81	1.5
68.16	43.0	57.03	38.7	246.43	31.6	233.66	30.5	193.45	39.5	165.57	37.3	749.42	42.6	728.50	41.5	2,782.55	44.4	2,512.56	42.0
192.43	121.5	187.52	127.2	989.52	126.7	915.63	119.5	480.50	98.4	456.16	102.8	1,879.84	106.8	1,830.09	104.2	5,766.83	91.9	5,536.27	92.6
109.20	69.0	103.64	70.3	517.32	66.2	462.04	60.3	241.72	49.5	221.48	49.9	1,055.12	59.9	992.07	56.5	3,114.96	49.7	2,878.90	48.2
83.23	52.6	83.88	56.9	472.50	60.5	453.58	59.2	238.78	48.9	234.69	52.9	824.72	46.8	838.01	47.7	2,651.87	42.3	2,657.37	44.5
84.61	53.4	85.06	57.7	473.56	60.6	454.68	59.3	243.04	49.8	238.38	53.7	857.87	48.7	870.21	49.5	2,735.98	43.6	2,739.14	45.8
0.58	0.4	0.48	0.3	18.97	2.4	23.59	3.1	2.60	0.5	2.29	0.5	26.61	1.5	29.39	1.7	119.44	1.9	114.74	1.9
4.99	3.2	4.87	3.3	42.05	5.4	54.34	7.1	49.24	10.1	37.70	8.5	126.99	7.2	129.00	7.3	635.77	10.1	610.39	10.2
158.34	100.0	147.46	100.0	781.00	100.0	766.28	100.0	488.34	100.0	443.94	100.0	1,760.90	100.0	1,757.10	100.0	6,273.74	100.0	5,976.82	100.0
3.55	2.2	6.67	4.5	44.75	5.7	49.64	6.5	30.66	6.3	19.51	4.4	93.87	5.3	85.87	4.9	352.92	5.6	298.21	5.0
6.91	4.4	3.39	2.3	6.74	0.9	5.00	0.7	10.91	2.2	9.90	2.2	51.98	3.0	57.62	3.3	141.65	2.3	144.43	2.4
16.73	10.6	18.01	12.2	70.58	9.0	78.76	10.3	31.47	6.4	35.28	7.9	136.17	7.7	152.65	8.7	597.23	9.5	641.91	10.7
2.45	1.5	2.01	1.4	20.22	2.6	21.69	2.8	7.96	1.6	7.54	1.7	25.99	1.5	25.93	1.5	122.06	1.9	98.51	1.6
3.33	2.1	1.54	1.0	28.88	3.7	20.63	2.7	7.84	1.6	5.80	1.3	16.77	1.0	15.00	0.9	111.65	1.8	77.12	1.3
9.45	6.0	9.72	6.6	27.37	3.5	17.34	2.3	32.03	6.6	33.39	7.5	126.84	7.2	116.00	6.6	351.53	5.6	363.39	6.1
2.46	1.6	2.53	1.7	77.28	9.9	78.93	10.3	16.03	3.3	12.30	2.8	73.65	4.2	67.45	3.8	356.34	5.7	329.51	5.5
44.87	28.3	43.68	29.8	275.81	35.3	271.99	35.5	136.89	28.0	123.72	27.9	525.26	29.8	520.53	29.6	2,033.38	32.4	1,953.06	32.7
0.53	0.3	1.54	1.0	1.98	0.3	58.90	7.7	9.78	2.0	8.67	2.0	65.06	3.7	57.04	3.2	344.30	5.5	358.70	6.0
25.28	16.0	23.27	15.8	136.14	17.4	71.45	9.3	151.20	31.0	124.06	27.9	300.97	17.1	318.80	18.1	1,043.84	16.6	981.77	16.4
25.81	16.3	24.31	16.8	138.13	17.7	130.35	17.0	160.98	33.0	132.73	29.9	366.03	20.8	375.84	21.4	1,368.14	22.1	1,340.47	22.4
34.73	21.9	32.99	22.4	163.51	20.9	86.70	11.6	183.23	37.5	157.45	35.5	427.82	24.3	434.80	24.7	1,395.36	22.2	1,345.16	22.5
0.92	0.6	0.82	0.6	5.49	0.7	3.67	0.5	5.95	1.2	4.14	0.9	10.54	0.6	9.45	0.5	69.57	1.1	56.31	0.9
5.88	3.7	5.17	3.5	63.10	8.1	64.66	8.4	17.85	3.7	15.74	3.5	75.19	4.3	54.63	3.1	263.49	4.2	237.06	4.0
77.48	48.9	74.68	50.6	482.53	61.8	470.68	61.4	321.67	65.9	276.34	62.2	977.04	55.5	960.45	54.7	3,754.58	59.8	3,586.92	60.0
80.86	51.1	72.78	49.4	298.47	38.2	295.60	38.6	166.66	34.1	167.80	37.8	783.86	44.5	796.64	45.3	2,519.16	40.2	2,389.91	40.0
106.67	67.4	97.59	66.2	436.60	55.9	425.95	55.6	327.64	67.1	300.34	67.7	1,149.89	65.3	1,172.48	66.7	3,907.30	62.3	3,730.37	62.4
158.34	100.0	147.46	100.0	781.00	100.0	766.28	100.0	488.34	100.0	443.94	100.0	1,760.90	100.0	1,757.10	100.0	6,273.74	100.0	5,976.82	100.0
1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS		1986 RATIOS		1985 RATIOS	
4.62		5.05		6.21		6.38		5.75		5.66		4.99		4.85		5.25		5.40	
3.50		3.77		4.24		4.43		2.92		3.16		3.40		3.30		3.39		3.46	
4.49		4.38		3.92		4.16		4.01		4.04		4.75		4.62		4.99		4.85	
1.94		1.96		1.87		2.06		1.99		2.08		2.06		2.11		2.29		2.33	
2.71		1.74		4.71		4.84		3.05		3.36		2.24		1.68		2.92		2.34	
9.51		6.55		19.99		21.42		8.92		10.60		7.64		5.55		9.89		8.11	
2.01		1.38		2.36		3.11		2.18		2.57		1.56		1.35		1.96		1.66	
9.29		6.99		14.65		19.86		12.52		14.56		7.79		6.56		10.29		8.98	
10.97		7.73		22.93		26.56		13.96		16.16		11.60		8.97		13.21		10.77	
98.01		99.14		95.42		94.86		97.52		97.21		98.20		99.01		97.95		98.41	
96.87		97.96		94.52		94.15		95.70		95.58		96.89		97.60		96.60		97.08	
6.33		6.23		71.26		72.55		10.53		10.43		9.25		9.14		14.22		13.87	
0.13		0.09		1.66		2.26		0.23		0.27		0.14		0.12		0.28		0.23	
29.11		28.78		139.75		149.59		73.27		74.27		267.50		249.64		822.36		761.94	
23.28		13.15		29.38-		38.33-		56.56		41.85		224.14		207.96		749.17		559.46	
1.52		1.30		0.89		0.86		1.41		1.34		1.43		1.40		1.37		1.29	
24.85		14.16		6.46-		8.26-		23.76		17.70		22.62		21.06		22.30		16.97	
32.66		31.70		24.91		27.32		28.15		28.21		33.90		34.51		41.61		39.89	
0.43		0.45		0.55		0.30		1.10		0.94		0.55		0.56		0.55		0.56	
0.02		0.14		0.55		0.37		0.57		0.49		0.10		0.14		0.12		0.18	
0.43		0.46		0.59		0.33		1.12		0.95		0.56		0.57		0.58		0.59	
308.16		296.12		510.56		862.87		228.79		222.45		210.89		215.20		233.94		209.67	
83.81		87.23		85.47		168.48		39.99		47.17		62.53		57.41		58.94		56.64	
12.26		13.21		10.28		15.09		9.53		9.80		11.92		12.54		12.80		12.72	
1.03		1.15		1.58		1.53		1.43		1.40		1.05		1.05		1.05		1.11	
1.42		1.49		1.64		1.69		1.74		1.62		1.93		1.74		2.04		1.79	
2.29		2.36		3.45		4.69		1.64		1.49		1.53		1.64		1.60		1.48	
1.05		1.17		1.59		1.54		1.46		1.42		1.09		1.09		1.09		1.15	
9.29		6.99		14.65		19.86		12.52		14.56		7.79		6.56		10.29		8.98	
4.42		4.32		3.91		4.15		3.94		3.98		4.56		4.44		4.83		4.71	
20.26		19.72		33.24		32.46		18.97		18.53		17.32		17.40		19.33		19.41	
50.66		50.49		43.98		42.41		51.75		52.61		55.87		55.75		55.87		55.83	
0.31		0.21		0.72		0.99		0.20		0.33		0.48		0.50		2.23		2.54	
84.21		85.62		73.27		74.47		81.44		82.07		77.06		78.77		74.03		75.35	
7.21		7.37		26.55		26.54		7.03		7.16		8.91		9.02		11.59		11.80	
16.24		15.74		7.71		7.73		15.95		16.12		14.29		14.03		13.05		12.94	
14,692.33		12,933.64		28,209.39		28,144.90		41,645.48		40,053.31		131,915.96		128,265.94		374,250.99		361,955.46	
254,546.41		246,586.88		795,767.23		842,439.18		805,103.91		777,461.92		2,303,960.51		2,256,818.95		6,932,422.51		6,802,402.33	

a 28.1% gain for general freight.

The key for specialized carriers strengthening their financial posture continues to lie with improving earnings. Unlike their general freight counterparts, whose earnings have declined steeply during the first half of 1987, earning for specialized carriers as a group have grown 24%, producing a profit margin fractionally higher than within general freight. While there is no assurance this will continue for the duration of 1987, it is a positive sign of the strength and resiliency within the truckload sector of the motor carrier industry.

The following reviews of specific segments of specialized carriers will follow their order in the Group D data tables.

Household Goods Carriers

The household goods carriers had a rather down business year in 1986, with tonnage off 0.5% despite mileage increasing 2.2%. While they managed to translate this into higher revenues (up 5.5%), increases in operating expenses (up 6.0%) resulted in a 21.1% drop in operating income. Only through their relatively profitable ancillary services, such as packing and crating, did they manage a modest improvement of 6.5% in net income.

The relative changes in revenues and expenses impacted earnings adversely. The household goods carriers' operating ratio rose to 98.41 (highest among all specialized carriers) from 97.87 and their profit margin slipped to 1.88% from 2.00% the year earlier. Return on equity fell from 12.00% to 10.67%. Return on (transportation) investment, however, managed a slight increase (from 6.16% to 8.17%), but remains the lowest return among specialized carriers.

Despite the adverse changes to profitability in 1986, the liquidity of the household goods carriers improved overall. The current ratio grew from 1.32 to 1.46 as working capital increased a substantial 54.5%. This afforded heightened coverage of daily cash operating expenses, up from 23 days to almost 34 days.

The "movers" increased their investment in carrier operating property by 4.6% in 1986, slight within the industry, but about on average with other specialized carrier segments. This was significantly less than depreciation charges, thus, their fleet "aged" over the year. It is, however, the newest fleet among specialized carriers, based on percent depreciated. Funded debt levels grew modestly (up 3.5%). However, interest expenses increased a substantial 24%.

On the basis of debt levels, the household goods carriers appear in good shape. Their debt to equity position improved to 0.38 from 0.41, best among the specialized carriers. However, due to slim earnings, cash throw remains weak, as indicated by a potential two plus year time span to become debt free using all cash throw exclusively for debt retirement. The impact of interest expenses also is unfavorable. The interest drain on revenues in 1986 was 1.4%, but on operating income, a much more severe 78%. Were it not for the ancillary services, the household goods carriers could have ended 1986 in a much worse net income position.

Thus, the household goods carriers remain in a somewhat weak financial position. Since they operate with a substantial number of owner-operators (purchased transportation expenses more than half of revenues - highest among specialized carriers, and within the industry), the companies can continue to operate for long periods on low margins. For many though, the question is how long.

The household goods carriers have found some relief through the first 6 months of 1987. Despite light business gains, they have managed to increase revenues 5.3% and keep expenses in line. As the table at the end of this Financial Analysis indicates, the household goods companies have been able to turn a six month 1986 net loss into 1987 net profits, reduce their operating ratio, and also decrease their interest payments. These changes help shore up the most glaring financial weaknesses in 1986. However, margins must improve even beyond those noted in the first half of 1987 to solidify their financial position.

Heavy Machinery Haulers

The heavy machinery haulers made tremendous strides in profitability in 1986 despite a slow business year. Although tonnage and mileage increased slightly, revenues fell. The good news was that operating expenses fell far more rapidly (down 5.1%) than revenues (off 1.9%). The relative changes turned a net loss into profits -- virtually a 4 percentage point swing in net profit margin (from a net profit margin of minus 1.66% in 1985 to plus 2.28 in 1986). The operating ratio dropped more than 3 points; return on equity swung 15 points and return on investment 11 points. The 1986 margins of the heavy machinery haulers are not by any stretch the industry's best, but they are substantially enhanced from a year earlier.

The significant earnings improvement help strengthen further an already healthy liquidity position. Cash throw more than doubled and provided much better coverage of debt obligations than previously. Working capital also increased by almost 50%, producing a 1.52 current ratio, among the best for specialized carriers. Working capital coverage of daily cash operating expenses rose to 42 days for the heavy machinery haulers, which was the best coverage for all specialized segments.

The heavy machinery haulers made substantial strides reducing the debt impact on operations in 1986. They didn't add to carrier operating property in 1986, instead reduced funded debt levels by almost 40%. Funded debt to equity dropped from 0.86 in 1985 to a much more manageable 0.45 in 1986.

In addition, the group managed to reduce interest outlays by 4.2%. This is in the right direction, but leaves the interest obligation fairly steep. Interest expense represents over 18% of funded debt, takes the equivalent of over 2 percent of revenues, and a hefty 70 percent of operating income.

The debt and interest improvements in 1986 are timely since the fleet of the heavy machinery haulers is the oldest among the specialized carriers, based on percent depreciated, and thus in need of replacement. The income generated in 1986 is not sufficient to replenish capital and appreciably avoid the debt market. Their fairly heavy reliance on owner-operators can help keep the debt burden at bay for a while.

Unfortunately, the financial improvements noted in 1986 appear to have soured in early 1987. Based on six months of data, the heavy machinery haulers have continued to lose revenues, but now with substantial declines in business. Expenses have not been pared

back sufficiently to stem an almost 50% deterioration in earnings. Absent a sharp recovery in the latter half of 1987, the heavy machinery haulers will roller- coaster back to the inadequate financial position of 1985, and have to start all over again.

Liquid Petroleum Carriers

The liquid petroleum carriers, like the heavy machinery haulers, found 1986 to be very favorable. They gained 5.1% in revenues, hauling 3.5% more tonnage, and held expenses in check (up only 2.5%). Operating income more than doubled and net income increased 5 fold. The operating ratio dropped to 95.84 from 98.27, and the profit margin rose to 2.31 from 0.40. Return on equity rose 8 points (to 9.96) as did return on investment (to 12.96%).

Liquidity also improved for the petroleum carriers between 1985 and 1986. Cash throw rose 28%, and working capital 35%. Their current ratio improved to 1.38 from 1.32, and looks adequate compared to historic norms. Days of cash operating expenses covered by working capital also improved (from 18 days to 24). Cash throw coverage of funded debt increased as well in 1986, reflecting the absolute cash throw improvement as well as a reduction in debt.

Debt levels for petroleum carriers declined 3.4% in 1986 although investment in carrier operating property grew 2.6%. Their debt to equity ratio, however, fell from 0.69 in 1985 to 0.56 in 1986. Net debt to equity, which reflects funded debt less working capital, also improved -- to 0.16 from 0.29. Interest expenses associated with debt are fairly steep in the segment, 1.7% of revenues and 40% of net carrier operating income, but are much improved over 1985.

The year 1987, however, may wash out much of the gain for the petroleum carriers. Tonnage and mileage have been generally flat, revenue increases modest, and income has slipped 30% through six months due to disproportionate expense increases.

Refrigerated Product Carriers

The refrigerated product carriers had a fairly sound year in 1986 and are maintaining a fairly steady course in 1987. These firms, transporting both refrigerated liquid and solid products (mainly foods), are customarily among the most stable of the specialized carrier segments. Business in 1986 was reasonably strong -- tonnage up 5.6%; mileage up 7.7%; and revenues increasing 6.5% (best among specialized segments). Like most other carrier group, expenses were checked, affording an income increase. Operating income increased 26% (the operating ratio dropping to 95.79 from 96.46), and net income rose 35%. Their profit margin improved to 2.11% from 1.60% in 1985, return on equity, at 12.46% in 1986, improved more than 3 points, and return on investment increased to 16%.

The refrigerated product haulers have been and remain highly leveraged although they registered improvements during the year. Their debt to equity ratio fell from 0.80 in 1985 to 0.68 in 1986 as they reduced their amount of funded debt by 12% during the year. Despite this reduction, they increased their investment in carrier operating property by 8% over 1985. Except for the household goods carriers, the refrigerated segment has the newest fleet among specialized carriers, less than 48% depreciated. They also use owner-operators extensively, as purchased transportation expenses account for just under half of total revenues. They are also second to household goods carriers in intensity of owner-operator use among specialized firms.

The debt level does take its toll on the refrigerated haulers, as interest expenses are about 1.5% of revenues and over a third of operating income.

The liquidity position of the refrigerated carriers, though, is reasonably strong. They experienced an 9.6% rise in working capital, and maintained a sound current ratio at 1.52. Working capital provides for over 23 days coverage of daily cash operating expenses. They also achieved a 15% improvement in cash throw. Cash throw coverage of debt, weak in 1985, was much better in 1986.

While 1987 has has not been a generally good year for the trucking industry, the refrigerated product haulers have managed a stable course through the first half of the year. Business has been slow, with tonnage up 2.6% and mileage 0.2%. Revenues have also grown slowly (0.3%), but expenses (up 0.4%) have eaten only slightly into earnings -- net income off 6%. Their six month operating ratio, at 95.44, is, thus, little changed from 1985.

Agricultural Commodities Carriers

The agricultural commodities haulers, part of the food movement chain of their refrigerated carrier peers, are in a reasonably equivalent financial state. Although they are less leveraged, they are just as liquid, and only fractionally less profitable in 1986 as refrigerated carriers.

For agricultural commodities carriers, 1986 saw a healthy 13.6% rise in tonnage and 3.2% increase in mileage. Revenues rose only a modest 1.6%, but operating income and net income increased by 50%. Their operating ratio fell from 97.96 to 96.87 and the profit margin rose to 2.01% from 1.38%. Correspondingly, other profitability measures improved: return on equity from 6.99% to 9.29%; and return on investment to 10.97% from 7.73%.

Along with the profitability improvement, liquidity was enhanced overall for the agricultural product carriers. While cash throw grew only 1.1%, working capital increased 77%. The working capital gain strengthened the current ratio to 1.52 from 1.30 and improved coverage of daily cash operating expenses to 25 days from 14 a year earlier. Cash throw coverage of debt remains very strong: all debt could be paid off in just over one year if cash throw were applied exclusively to this end.

The segment did add moderately to debt levels in 1986, by 5%, but improved their debt to equity ratio to 0.43 from 0.45, among the lowest of the specialized segments. Interest represents but 1.1 percent of revenue, also low among specialized carriers, although it was the equivalent of a third of their operating income.

Thus, 1986 was a generally up-beat year to the agricultural carriers, and despite the low gain in revenues, they remain in relatively good shape going into 1987.

Through six months of 1987, profits continue to grow for the segment even though business is off. Their tonnage has declined almost 3% even though mileage has grown 5.5%. Revenues have slid back

2.3%, but expenses have been cut the same. Net income is up almost 8%. Their six month operating ratio stands at 96.16, virtually unchanged from 1986; their profit margin has increased to 2.54% from 2.30%.

Motor Vehicle Haulers

The motor vehicle haulers, despite an off year in 1986, remain the strongest of the specialized carrier groups, mainly due to favorable profit levels.

For the motor vehicle haulers, revenues slipped 1.8% in 1986 due to a 5.5% reduction in miles traveled. Tonnage was unchanged from 1985 levels. Expenses were reduced along with revenues, but not quite as fast. Thus, operating profits dropped 7.9%, and net profits, 26.3%. Their operating ratio rose to 94.52 and profit margin fell to 2.36. Similarly, return on equity declined 5 percentage points to 14.65, and return on investment fell to 22.93. Despite the decline in profit margins, though, these 1986 results still rank best among all specialized carrier groups.

Liquidity is the weakest spot for the motor vehicle haulers. Due to the profit decline, cash throw fell 6.6% between 1985 and 1986. Their current ratio continues to show current liabilities topping current assets, thus under the 1.00 "break even" level. The current ratio did "improve" to 0.89 from 0.86. Working capital, though, remains negative.

The auto haulers incurred a substantial 84% increase in funded debt in 1986, used for equipment additions as well as helping out with working capital needs. Their funded debt to equity level showed a steep rise from 0.30 in 1985 to 0.55 in 1986. This is the second year of substantial debt increases. Note that in 1984 their debt to equity ratio had been a very low 0.18. Because of the new debt, interest expenses paid in 1986 rose by 25%, after they had risen 41% the previous year. However, with funded debt levels still reasonable, the interest burden remains affordable, taking only 0.9% of revenues and 16.5% of operating income -- both lowest among specialized carriers.

Conditions have picked up for the auto haulers through six months of 1987. Mileage is up 3.4% and tonnage 2.8%, allowing revenues to increase 2.6%. Expenses have increased only 2%, producing a decline in the operating ratio and a rise in the profit margin. Also, interest expenses have managed to decline over the period. If maintained throughout the year, the auto haulers should easily solidify their position as the strongest segment among specialized carriers.

Building Materials Haulers

The building materials carriers, like the auto haulers, also experienced a decline in profits in 1986, but continue to show adequate to strong profit levels. Their liquidity is good, but their weak point is high debt.

Revenues increased a very slight 1% for the building material carriers in 1986, although tonnage grew 4% and mileage 3.6%. Operating expenses jumped up fractionally more, leading to a 1.7% decline in operating profits. Net profits slipped 17%. Although with some deterioration, profit margins remain fairly good: operating ratio of 95.70; net profit margin of 2.18%; return on equity of 12.52%; and return on investment of 13.96%.

Liquidity generally improved for the building materials carriers. Their current ratio rose to 1.41 from 1.34 as working capital grew 35.2%. This growth improved coverage of daily cash operating expenses from 18 to 24 days. Cash throw, however, fell a slight 1.4%, reflecting the earnings decline.

The carriers increased their investment in carrier operating property by 5.3% in 1986, and in so doing, debt levels grew 16%. They are and remain highly leveraged, with debt to equity at 1.10 in 1986 compared to 0.94 in 1985. This is the highest leverage position within the industry. Further, it would require more than three years of applied cash throw to pay off all funded debt for the building materials carriers, among the longest periods in the industry.

Interest expenses are also high for the building materials carriers, at 1.8% of revenues, and 42% of operating income. Interest expenses had increased over 13% in 1986.

The group of buildings materials haulers ranks fairly strongly among their truckload peers, but could stand to reduce debt levels to further strengthen their financial posture. Through six months of 1987, they have been able to reduce interest expenses 15%, but are also finding earnings down.

Other Specialized Carriers

The carriers embraced by this grouping include a wide variety of firms operating in diverse segments of trucking. From dump trucking to armored car service; film and associated commodities to forest products; mine ores to retail store delivery service to dangerous or hazardous materials, this is one of the most heterogeneous groups of carriers. In the main, none of the specifically mentioned segments above have enough carrier representatives in the data base to afford a separate and valid analysis of their results.

This group also includes carriers described as "specific commodities not elsewhere classified". This would include the largest representation of truckload firms, those dry van operators who haul anything, anytime, anywhere, and a great number of flat bed operators, hauling, for example, steel. They also would be extremely difficult to group in any meaningful separate way; thus they're grouped here.

These other specialized carriers showed, in total, tonnage growth of 2.8% in 1986, and mileage increases of 2%. Their revenues grew 1.2%, and earning grew due to lower expense increases. Operating income was up a third and net income increased 17% comparing 1986 with 1985. Their composite operating ratio fell to 96.89 from 97.60 and their profit margin rose to 1.56% from 1.35% a year earlier. Return on equity increased to 7.79% from 6.56%, and return on transportation investment rose to 11.60% from 8.87%.

Liquidity in the group is fairly strong, and there was slight improvement from 1985. Working capital grew 7.8% in dollar amount and the current ratio rose to 1.43 from 1.40. Their coverage of daily cash operating expenses from working capital increased to 23 days from 21 days in 1985. Cash throw also increased by 7.2%.

These carriers managed to reduce debt slightly in 1986. While investment in carrier operating property increased 2.7%, debt levels declined 1.7%. The debt to equity ratio was unchanged at 0.55. Their potential coverage of debt with cash throw improved. The interest burden from debt declined, interest taking 1.3% of

revenues – down from 1.4%, and 42% of operating income -- down from 59%.

For this segment of other specialized carriers, results through six months of 1987 are not positive in a business sense, but good for earnings. Tonnage is not growing, and mileage is down. Revenues are also down (2.2%), but expense declines are sharper. Their operating ratio, thus, shows about a 0.5 point improvement, and net income is up over 50%.

SUMMARY SCORECARD

Since 1984's Financial Analysis, this Summary Scorecard section has been used as a means of comparing and contrasting carrier group performance on a relative basis. It serves to distinguish and differentiate groups in periods sometimes of financial decline (1984 and 1985), or other times of improvement -- 1983 as well as this year, 1986. Groups whose revenues grew, say, 2 percent in a particular year are difficult to evaluate absent the relative comparison. Did revenues in the rest of the groups rise 10%, or perhaps fall 10%.

There are two main sections of the Summary Scorecard, the first showing change year to year, and the second section, the relative standing of a group. A particular group may have shown improvement in profits, for example, but still rank among the least profitable groups in the industry. Likewise, another group may have declining profits, but rank among the best in the business.

In evaluating how a carrier group has fared from 1985 to 1986 -- the first part of the Summary Scorecard -- three categories of change are possible: improving; stable; or worsening (declining). Each carrier group is evaluated on four criteria:

1) business conditions;
2) profitability;
3) liquidity; and
4) leverage.

Carrier groups were evaluated based on their actual change for the year, supplemented (where appropriate) by relative performance. A group whose mileage, tonnage and revenues fell substantially would show up as worsening, considering that industry revenues, tonnage and mileage rose. Another group that achieved results which only matched industry changes would be characterized as stable, even though their business improved in an absolute sense.

The second main section of the Summary Scorecard shows the relative standing or position of each group. For this purpose, the 32 individual carrier groups were divided into quartiles. The top 8 carrier groups comprise the upper quartile; the bottom 8 the lower quartile. The two middle quartiles contain the remaining 16 carrier groups.

In this quartile rating scheme, carrier groups are ranked on various measures of profitability, then liquidity and leverage. These ranks are then summed and, based on the sum, re-ranked to determine the position of the carrier group and the quartile into which it fits.

For profitability, each group's overall ranking and thus position within quartiles was determined by summing the group's rank for four individual profitability measures:

1) operating ratio;
2) net profit margin;
3) return on equity;
4) return on transportation investment.

For liquidity ranking, four measures were also used:

1) current ratio;
2) average days of expenses in working capital;
3) average day's collection period;
4) cash throw to current portion of funded debt.

Five measures were used to evaluate the leverage of the groups:

1) funded debt to equity;
2) cash throw to funded debt;
3) funded debt to revenues;
4) funded debt to net carrier operating property;
5) interest expense as a percent of revenues.

Finally, the overall position of each group was determined by its standing in each of the three major measures covered above, the best position being associated with strong profitability, strong liquidity and low debt. In the overall ranking, "U" reflects the upper quartile, "L" the lower quartile and "M" the middle two quartiles.

The Industry's Top Achievers

The carrier groups achieving the best relative performance in 1986, being in the upper (U) quartile on overall measures of profitability, liquidity and leverage, are:

General Freight

Group A - **New England Region** - on the basis of sound profitability and leverage position, plus superior liquidity.

Group A - **Middlewestern Region** - superior profitability and leverage positions coupled with the adequate liquidity.

Group B - **New England Region** - very strong liquidity and leverage positions offset average profitability.

Group B - **Pacific Region** - strong ranking in profits, leverage; average liquidity standing.

Group C (C-1) - **Length of Haul under 250 Miles** - strength in leverage position compensates for adequate liquidity. Profitability ranking just under the upper quartile.

Group C (C-2) - **Length of Haul under 250 Miles** - industry's strongest group, ranking number one in profits, liquidity, and second best in liquidity.

Group C (C-2) - **Length of Haul of 500 to 750 Miles** - second highest overall ranking in the industry -- number one in leverage rank plus superior profits offset adequate liquidity.

Group C (C-2) - **Length of Haul over 750 Miles** - industry's second highest ranking in profitability, and a superior leverage position, but very weak liquidity.

Specialized Carriers

No individual specialized carrier group made it into the upper quartile in overall ranking in 1986. Motor Vehicle haulers were closest, ranking highest within the specialized carrier segment and just under the upper quartile. Agricultural Product haulers also ranked strongly among the specialized carrier groups in 1986.

SCORECARD CHARTS

GROUP A		IMPROVED	STABLE	WORSENING	UPPER QU SUPERIOR	MIDDLE QU ADEQUATE	LOWER QU SUBPAR	OVERALL
NEW ENGLAND	Business Conditions		X					U
	Profitability		X			X		
	Liquidity	X			X			
	Leverage		X			X		
MIDDLE ATLANTIC	Business Conditions		X					M
	Profitability		X			X		
	Liquidity		X			X		
	Leverage			X		X		
CENTRAL	Business Conditions			X				M
	Profitability		X				X	
	Liquidity		X			X		
	Leverage	X				X		
SOUTHERN	Business Conditions			X				M
	Profitability	X				X		
	Liquidity		X			X		
	Leverage			X		X		
NORTHWESTERN	Business Conditions		X					M
	Profitability			X			X	
	Liquidity			X		X		
	Leverage	X				X		
MIDDLEWESTERN	Business Conditions		X					U
	Profitability	X			X			
	Liquidity		X			X		
	Leverage		X		X			
SOUTHWESTERN	Business Conditions			X				M
	Profitability			X			X	
	Liquidity			X	X			
	Leverage	X				X		
ROCKY MOUNTAIN	Business Conditions			X				M
	Profitability		X			X		
	Liquidity			X			X	
	Leverage	X			X			
PACIFIC	Business Conditions			X				M
	Profitability	X				X		
	Liquidity		X		X			
	Leverage		X			X		

GROUP B		IMPROVED	STABLE	WORSENING	UPPER QU SUPERIOR	MIDDLE QU ADEQUATE	LOWER QU SUBPAR	OVERALL
NEW ENGLAND	Business Conditions		X					U
	Profitability		X			X		
	Liquidity			X	X			
	Leverage		X		X			
MIDDLE ATLANTIC	Business Conditions		X					L
	Profitability			X			X	
	Liquidity	X					X	
	Leverage		X			X		
CENTRAL	Business Conditions			X				L
	Profitability			X			X	
	Liquidity			X		X		
	Leverage		X			X		
SOUTHERN	Business Conditions	X						M
	Profitability	X				X		
	Liquidity			X		X		
	Leverage			X		X		
NORTHWESTERN	Business Conditions			X				L
	Profitability			X			X	
	Liquidity			X			X	
	Leverage	X					X	
MIDDLEWESTERN	Business Conditions	X						M
	Profitability		X		X			
	Liquidity		X				X	
	Leverage			X		X		
SOUTHWESTERN	Business Conditions		X					L
	Profitability			X		X		
	Liquidity		X				X	
	Leverage		X				X	
ROCKY MOUNTAIN	Business Conditions	X						M
	Profitability		X		X			
	Liquidity	X			X			
	Leverage			X			X	
PACIFIC	Business Conditions	X						U
	Profitability		X		X			
	Liquidity			X		X		
	Leverage		X		X			

GROUP C		IMPROVED	STABLE	WORSENING	UPPER QU SUPERIOR	MIDDLE QU ADEQUATE	LOWER QU SUBPAR	OVERALL
C-1	Business Conditions	X						U
<250	Profitability		X			X		
	Liquidity		X			X		
	Leverage	X			X			
C-1	Business Conditions	X						L
>250	Profitability			X			X	
	Liquidity			X			X	
	Leverage		X				X	
C-2	Business Conditions			X				U
<250	Profitability	X			X			
	Liquidity			X	X			
	Leverage	X			X			
C-2	Business Conditions		X					M
250-500	Profitability		X			X		
	Liquidity		X			X		
	Leverage			X		X		
C-2	Business Conditions	X						U
500-750	Profitability	X			X			
	Liquidity			X		X		
	Leverage	X			X			
C-2	Business Conditions	X						U
>750	Profitability	X			X			
	Liquidity			X			X	
	Leverage		X		X			

GROUP D		IMPROVED	STABLE	WORSENING	UPPER QU SUPERIOR	MIDDLE QU ADEQUATE	LOWER QU SUBPAR	OVERALL
HOUSEHOLD GOODS	Business Conditions		X					L
	Profitability			X		X		
	Liquidity	X					X	
	Leverage		X			X		
HEAVY MACHINERY	Business Conditions			X				M
	Profitability	X				X		
	Liquidity	X				X		
	Leverage	X					X	
PETROLEUM PRODUCTS	Business Conditions		X					L
	Profitability	X				X		
	Liquidity	X				X		
	Leverage	X					X	
REFRIGERATED	Business Conditions	X						M
	Profitability		X			X		
	Liquidity		X			X		
	Leverage	X					X	
AGRICULTURAL	Business Conditions		X					M
	Profitability		X				X	
	Liquidity	X			X			
	Leverage		X			X		
MOTOR VEHICLE	Business Conditions			X				M
	Profitability			X	X			
	Liquidity			X		X		
	Leverage			X		X		
BUILDING MATERIALS	Business Conditions		X					M
	Profitability			X		X		
	Liquidity		X		X			
	Leverage			X			X	
OTHER SPECIALIZED	Business Conditions		X					L
	Profitability		X			X		
	Liquidity		X			X		
	Leverage		X			X		

CARRIER PERFORMANCE DURING 1987

Profits Slacken in 1987 as Fuel Prices Rise and Rate Discounting Escalates

Carrier results in 1986 marked the first "good" year for the trucking industry in a long time, in fact, in nearly a decade. It was the first real year of growth in both business levels and profitability since 1978, with the exception of 1983. Improvements in that year, however, were from the dismal pits of the 1981-82 recessions, and thus more a recovery (industry results were extremely depressed in 1982) than growth in the truer sense of the word. In 1986, in contrast, the improvements were not from a recessionary low, but in a (slow) growth economy and relative to generally "usual" motor carrier results over the last number of years (even though less than pre-deregulation norms).

The 1986 improvements brought an undeniable sense of optimism to the industry, a feeling of rejuvenation. This cannot be more obvious than by the substantial increase in spending by trucking companies, especially for new equipment. Sales of Class 8 trucks (over 33,000 pounds), for example, have soared in 1987 to more than 15% higher than a year ago, and far in excess of virtually any analyst's expectations.

However, if trucking management had been expecting a trend of improvements from the 1986 base year, they were soon brought back to earth. One major key to improved earnings in 1986, falling fuel prices, reversed itself, becoming moderate price increases. Also, rate discounting, which had been widespread but relatively under control, escalated sharply in 1987. These forces, coupled with slow growth in business, served to retard revenue growth and accelerate expense increases, thereby depressing earnings. The major fall-off is among the general freight carriers, where the full effect of the escalated rate discounting has been felt.

The six month 1987 results, covered previously in appropriate sections of the carrier group analyses, indicate how the carriers have fared through the end of June. In this section we will look at how they got there. As was the case in last year's analysis, we'll look only at major carrier segments -- general freight, specialized and household goods -- and not at every individual group as in the body of the Analysis.

Note also that the period and year-to-date results are taken from quarterly reports filed with the I.C.C. Invariably fewer carriers are represented than on an annual basis, due mainly to different reporting requirements. Many carriers with revenues less than $5 million are presently exempt from quarterly report filing. Also, no contract carrier files interim reports. Thus, the quarterly statistics indicate more the direction of change than "final" results. Moreover, they can differ from final results to the extent large carriers achieve different results than smaller firms.

Since the motor carrier industry is a cyclical business, it is best compared on a year over year basis. Indeed, in the body of this report, the six month results are so presented. Yet, given the difficult situation in which many carriers have found themselves, performance from one quarter to the next is the critical time frame. With this in mind, the quarter to quarter progression will be emphasized in this section of the Analysis.

• The Typical Quarterly Cycle

The typical cycle of motor carrier results from one quarter to the next provides a general framework to evaluate how the industry is performing in any given year -- how results may agree with or differ from usual performance. While events such as recessions, recoveries, economic booms and the like come into play, the following cycle is generally evident in periods of normal economic behavior:

First quarter results in any given year tend to fall from the fourth quarter, generally signaling an end to the Christmas season transportation demands. Tonnage levels decline, mileage falls off and revenues decrease. Expenses also fall, but generally not as much as revenues, since costs from operating in winter weather tend to be relatively higher than at other times of the year -- idling equipment; heating terminals; slower operating speeds; and a variety of costs associated with snow, ice, and cold weather. Profits, thus, are generally off rather sharply.

Second quarter results normally mark a substantial improvement from the first quarter. Tonnage and mileage rise appreciably, revenues recover, and variable operating expenses increase commensurately. However, the carrier sheds many of the winter related costs, thus overall expenses rise at a lesser pace than revenue growth. Also, there have historically been rate adjustments taken in April related to labor costs. Profits tend to grow nicely in the improved operating conditions.

Third quarter results generally level off from the vastly improved second quarter performance. Tonnage and mileage tend to be similar to second quarter levels, sometimes up a few percent, other times down fractionally. Revenues follow suit, however, more often up slightly than down. Expenses track very closely with revenues. Whether overall expenses end up higher than or lower than revenues in the third quarter typically depends on particular operating expenses, and/or inflation conditions generally. Are fuel prices rising abnormally, or falling; are insurance rates (hence, insurance costs to carriers) rising; are Federal or state operating taxes rising. Profits performance obviously depends on relative changes in revenues compared to expenses.

From the third to the fourth quarter, business levels tend to remain reasonably on par with those of the third quarter, as the holiday season transportation demands begin to accelerate. Revenues also tend to show moderate growth during this period. Operating expenses, however, rise faster than revenues more often than not, reflecting the onset of the winter related costs. Profits in the fourth quarter are, thus, usually down.

The 1986 and 1987 Quarterly Cycle

What made 1986 a good year was a deviation from the typical trend in the first half of the year. Although business levels in the first quarter were down from the fourth quarter of 1985, their decline was not as pronounced as is usually expected. Revenues also declined, but most importantly, **expenses declined slightly more than revenues,** not less as is the usual situation. The significant decline in fuel prices keyed this result. As a result, the normal fall in first quarter operating profits didn't occur. Further, net income was favorably impacted by a dramatic

drop in deferred taxes payable in the comparative period, leading to a sizable gain (up 100%) over the fourth quarter.

The first quarter performance was followed by usual changes expected in the second quarter (tonnage, mileage and revenues up), **including continued sizable gains in profits on top of first quarter improvements.** Results then fell back into more normal patterns in the third and fourth quarters.

In contrast to 1986, results for the first two quarters of 1987 follow the more normal patterns across the board, that is, absent the favorable expense changes occurring in 1986 that stimulated the enhanced bottom line. In addition, 1987 saw an escalation of rate discounting which served to further restrict earnings potential.

First quarter 1987 tonnage and mileage declined from levels in the fourth quarter 1986. Revenues fell at an even more precipitous rate. Expenses could not be cut as fast, and the bottom line dip was somewhat deeper than historic first quarter drops.

The second quarter showed the expected improvements, but not as great as could have been hoped for. Mileage growth was in line with usual expectations, but tonnage increases were a little weak. Revenue growth also fell short of the improvement generally noted, and expenses, although being maintained under revenue increases, rose somewhat higher than expected. That is, the gap between revenue growth and expense increases shrunk in the second quarter.

Thus, at the end of six months of 1987, industry bottom line performance is notably behind that of 1986. As the chart to the right shows, net income for Class I carriers is down almost 25%, the operating ratio up to 96.29 and the profit margin down to 2.14%, the product of overall operating expenses growing faster than revenues.

The Segments: Quarterly Cycles

The composite quarterly cycle of motor carrier results noted above is just that, an aggregation of results for general freight, specialized and household goods carriers. Each of these separate groups has

RESULTS OF OPERATIONS SIX MONTHS 1987 VS. 1986
CLASS I FEDERALLY REGULATED MOTOR COMMON CARRIERS OF PROPERTY
(PERCENT CHANGE IN OPERATING REVENUES & OTHER FINANCIAL & OPERATING STATISTICS)

Description	Operating Revenues	Total Operating Expenses	Interest Expense	Income Taxes	Net Income	Total Vehicle Miles	Total Tons of Revenue Freight	Operating Ratio 1987/1986	Net Profit Margin (%) 1987/1986
U.S. Total	2.00%	3.73%	(6.02)%	(41.65)%	(24.71)%	3.91%	0.86%	96.29/94.69	2.14/2.91
General Freight	2.42	5.20	0.21	(47.49)	(38.05)	7.04	4.97	96.21/93.67	2.14/3.54
Specialized Carriers	1.25	1.17	(11.43)	(9.16)	23.63	0.47	(1.45)	96.45/96.53	2.15/1.76
Heavy Machinery	(4.93)	(2.15)	(14.89)	(89.08)	(46.54)	(13.45)	(5.62)	96.81/94.06	2.53/4.50
Liquid Petroleum	1.82	3.80	(9.39)	(91.07)	(30.90)	0.93	(0.96)	97.47/95.61	1.26/1.85
Refrigerated Products	0.29	0.43	(25.39)	23.78	(6.06)	2.55	0.22	95.44/95.31	2.33/2.49
Agricultural Commodities	(2.31)	(2.29)	6.71	(74.75)	7.92	(2.87)	5.55	96.16/96.14	2.54/2.30
Motor Vehicles	2.60	1.96	(11.53)	4.94	19.03	2.83	3.36	94.94/95.53	3.00/2.59
Building Materials	2.67	3.86	(2.35)	(15.66)	(14.63)	2.84	(5.90)	94.71/93.64	3.57/4.29
Other Specialized Carriers	(2.19)	(2.59)	(11.13)	(20.80)	55.76	(0.25)	(2.88)	96.05/96.45	2.65/1.66
Household Goods	5.26%	3.37%	(11.48)%	N.M.	N.V.	1.29%	1.50%	98.14/99.93	1.09/(0.36)

N.M. - not meaningful; income taxes for household goods carriers increased from $17,000 in 1986 to $4.9 million in 1987.
N.V. - not valid; profit in 1987 versus loss in 1986.

their own quarterly cycle which differs in some aspects from the aggregate.

General freight carriers tend to follow the aggregate trends for the first nine months of the year, but from the third to the fourth quarter, tonnage, mileage and revenues grow at a stronger clip than the aggregate trend would indicate.

Specialized carriers, on the other hand, have abnormally strong results in the second quarter, followed by moderate variations in business over the rest of the year (more often than not small percentage declines in business rather than improvements).

The household goods carriers have the widest fluctuations, with substantial growth from the first to the second quarter, maintaining strong growth in the third quarter, followed by generally significant plunges in results from the third to the fourth quarter. Depressed conditions remain from the fourth to the first quarters.

The Segments: Performance in 1986 and 1987

The general freight carriers have achieved very weak results through six months of 1987 after the rather impressive gains of 1986. Their 1986 results were greatly influenced by the first quarter changes, where operating income managed to avoid falling, and net income improved considerably from the deferred tax change noted above. Otherwise, the year was not that productive in terms of income generation. Second quarter 1986 results were strong, but not up to levels usually experienced. Third quarter business levels were about on par with historic trends, but general freight earnings were down by more than would usually be the case. Similarly, fourth quarter earnings were more depressed than usual.

From the 1986 results, the first quarter of 1987 was not unusually bad. Revenues, mileage, tonnage and net income were down, but not any greater than is the usual case. Net income was, however, down considerably from the exceptional first quarter of 1986. The second quarter, however, has shown a general lag in revenue growth and income generation despite reasonably strong levels of business as measured by tonnage and mileage. Thus, the influence of rate discounting can be seen in these results especially.

Through six months of 1987, the Class I general freight carriers as a group have, thus, managed to increase revenues a scant 2.4% over the six months of 1986, while expenses have grown more than twice as fast, or by 5.2%. Over this period, tonnage is up almost 5% and mileage, 7%. The disparity in expenses compared to revenues has caused a significant rise in the operating ratio, from 93.67 to 96.21, and a decline in the profit margin to 2.14% from 3.54% the year earlier. Net income has declined 38.05%.

The specialized carriers have performed far better than the general freight carriers in the first half of 1987. Like their general freight counterparts, they had benefited from the declining fuel prices in early 1986, achieving positive first quarter gains in net income in what otherwise is a period of declining earnings or little growth. However, unlike the general freight carriers, the specialized carriers managed somewhat stronger second and third quarter 1986 results, prior to trailing off to usual fourth quarter declines. In 1987's first quarter, the specialized carriers again managed to keep operating income from falling, in this case mainly from adjustments to the labor component of operating expenses. Performance continued to pick up in the second quarter, providing for a generally satisfactory first half of 1987.

The chart at the right shows total specialized carrier results, including figures for the household goods carriers. For specialized carriers excluding household goods companies, six month 1987 comparatives with 1986 are: tonnage down 1.5%; mileage up 0.3%; revenues up 0.2%; expenses up 0.6%; operating ratio up to 95.99 from 95.64; net income up 5.7%; profit margin up to 2.44% from 2.31%. These results, especially profits and profit margins, compare favorably to levels generated by general freight carriers.

The household goods segment contrasted with the general freight and specialized segments in that 1986 involved net declines in profitability, not gains -- leaving their profitability position very tenuous. They experienced their customary first quarter 1986 net loss, followed by business gain and profit generation in both the second and third quarters, only to fall back in the fourth quarter. The year 1987 began no differently, with slow business and another first quarter net loss. The second quarter of 1987, though, was better than usual, in that tonnage and revenue growth was stronger than historical second quarter results, as were the earnings gains. They, thus, stand in slightly better shape at the end of six months of 1987, but remains in an overall weakened financial condition: operating ratio of 98.14; profit margin of 1.09%.

At this writing, third quarter results are just being processed from information carriers file with the Interstate Commerce Commission. Very early preliminary data indicate that the slowdown generally seen in the industry through the first half of the year is continuing into the third period. Information from the field, however, seems to indicate a fourth quarter firming. This may allow the generation of reasonable profits in the latter period to help alleviate the strain put on the bottom line by the rampant discounting occurring in the earlier part of 1987.

American Trucking Associations
2200 Mill Road
Alexandria, VA 22314